



GREEN BUDGETING

AT THE NATIONAL AND SUBNATIONAL LEVELS

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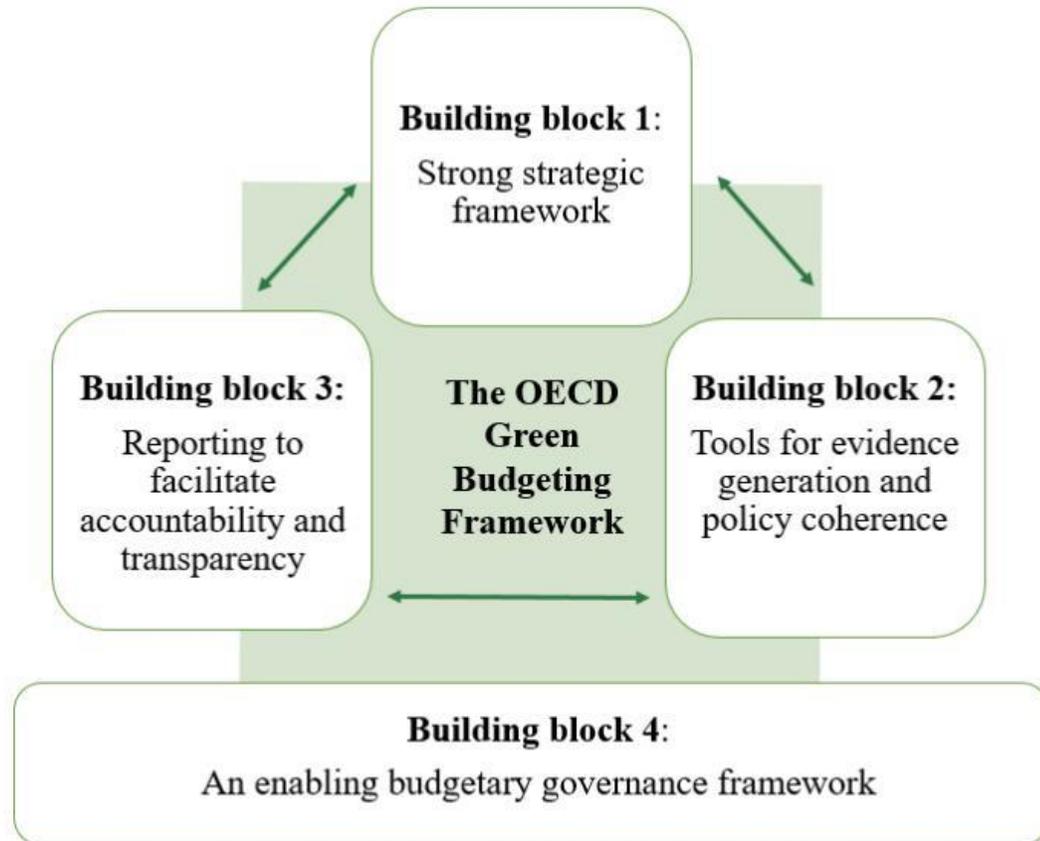
What is green budgeting?

- Budgetary policy-making to help achieve climate and environmental goals
- Evaluating environmental impacts of budgetary and fiscal policies relative
- Enabling decision-makers to understand and guide budgetary choices
- Improving budgetary steering and coherence with environmental objectives
- Strengthening the transparency of expenditure management for parliaments, civil society and citizens
- Promoting the development of the skills of public administrations
- Multidisciplinary





OECD Green Budgeting Framework



Tools and methods

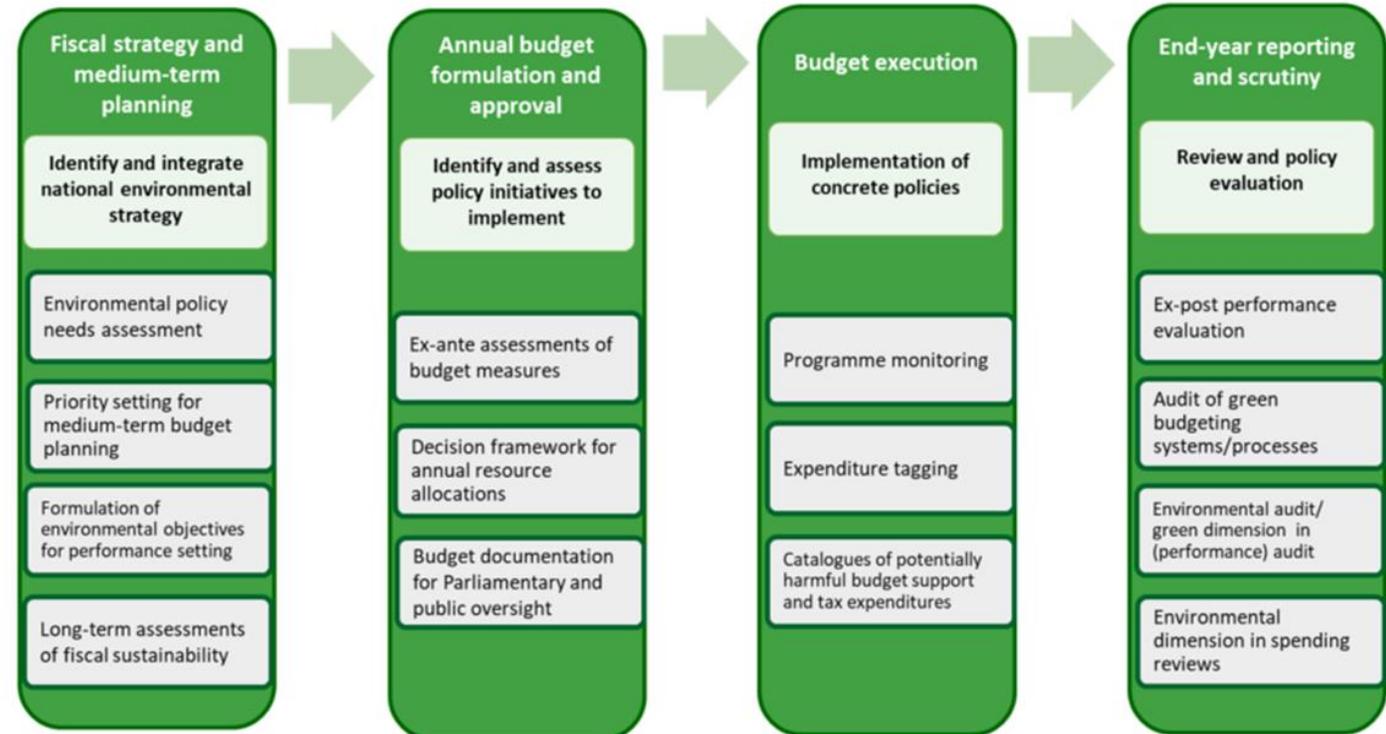
- ✓ Budget tagging
- ✓ Carbon budget
- ✓ Cost-benefit analysis
- ✓ Costing election proposals
- ✓ Disclosure and reporting
- ✓ Environmental assessment (*before and after*)
- ✓ Evaluation (*before and after*)
- ✓ Fiscal risk management
- ✓ Green budget statement
- ✓ Green spending reviews
- ✓ Macroeconomic modelling and forecasting
- ✓ Performance indicators, monitoring and reporting



Green budgeting and the budget cycle



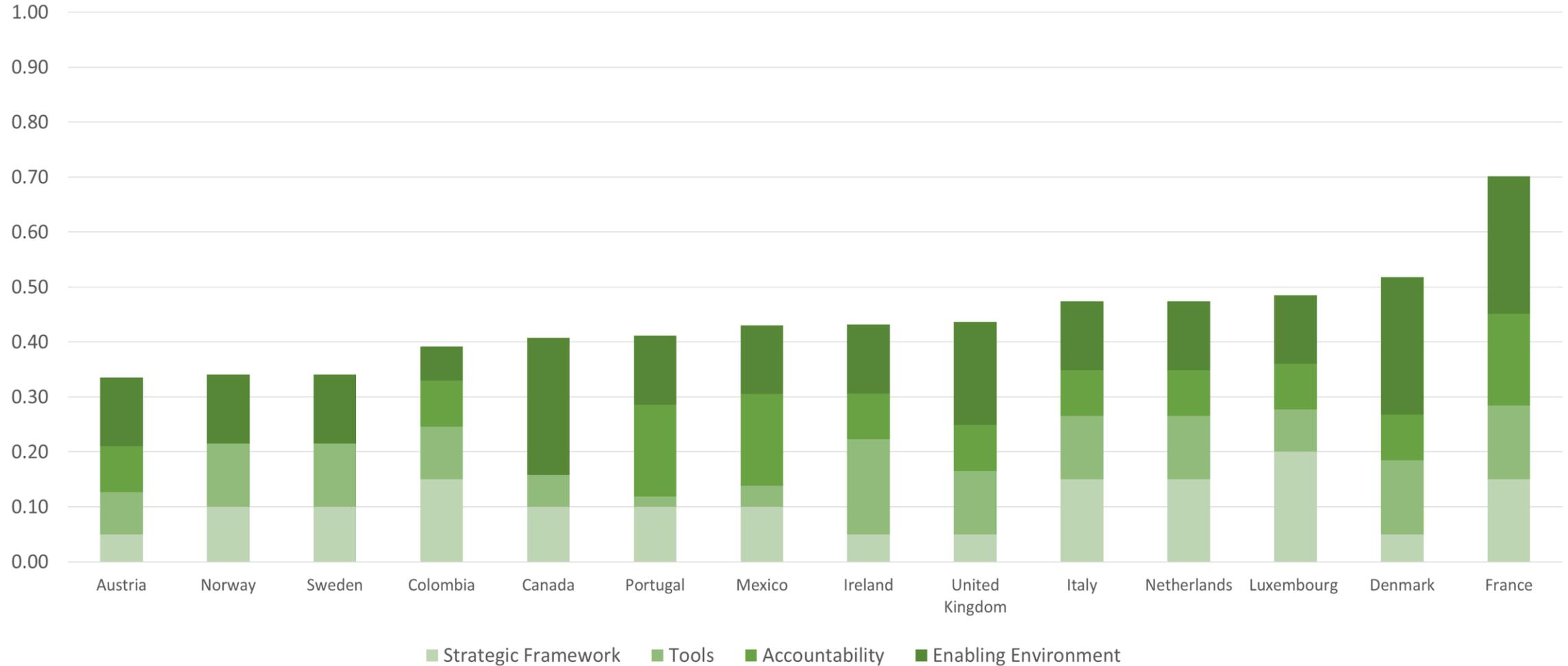
Budget cycle



Relevant stages for green budgeting



Green budgeting practices examples





OECD support

OECD resources

- OECD Paris Collaborative on Green Budgeting
- Network of Independent Fiscal Institutions and Parliamentary Budget Offices
- Network of Senior Budget Officials

International collaboration

- G20 sustainability and climate
- Coalition of Finance Ministers for Climate Action

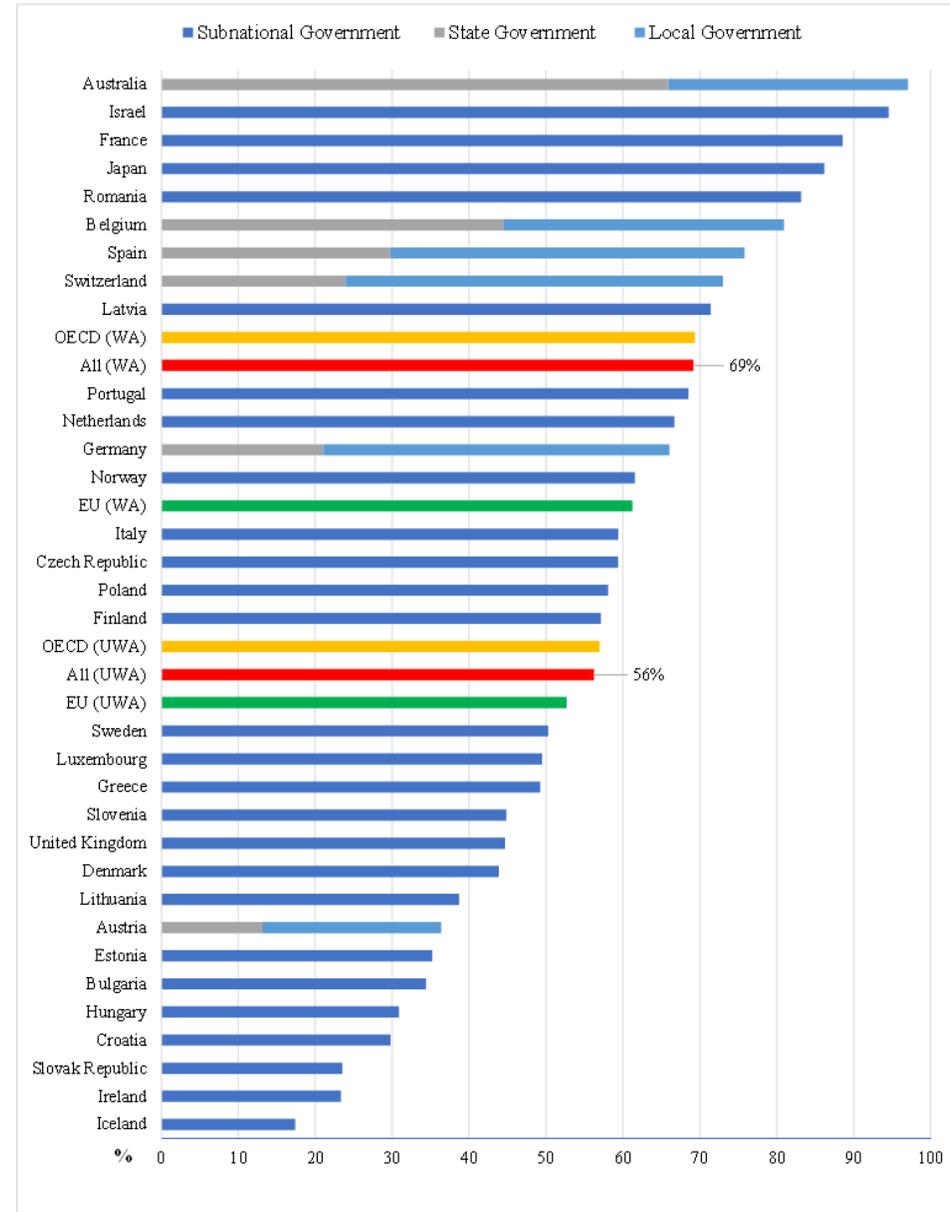
OECD support

- Action plans on implementing green budgeting
- Implementation support on reforms and new initiatives
- Collaboration on the design and implementation of tools and methodologies
- Training, workshops and collaborative assistance
- Data and analysis



Subnational governments are important financial actors in the carbon-neutral transition

- In many OECD countries, **regional and local governments play a key role in achieving international, national and local climate and environmental objectives.**
- They have **jurisdiction over key policy areas relevant to the green and climate transition** such as land-use planning and zoning, housing development, waste treatment, and more.
- They have **several tools to tackle climate change and catalyse a transition**, including policy tools, regulatory tools and fiscal tools, in particular their spending, investment, and revenue raising decisions.
- A new OECD-EC forthcoming analysis using National Accounts data reveals that in 2019, subnational governments accounted for **63% of climate-significant public expenditure** and **69% climate-significant public investment** in 33 OECD and EU countries.



Subnational government climate-significant investment as a share of total public climate-significant investment, OECD-EU countries, 2019



Green budgeting presents both opportunities and challenges for regions and cities

- Subnational expenditure, investment, and revenue decisions have an environmental and climate impact, be it positive, neutral or negative. Green budgeting is a concrete, practical tool that subnational governments can use to identify, quantify, and track impacts and integrate the evidence gathered into budgetary and policy decision-making processes.
- Green budgeting complements other means of action (ex. regulation, public procurement, planning...).

Opportunities:

- Better align future subnational budgets with environmental and climate objectives
- Measure the environmental/climate footprint of expenditure and revenues;
- Prioritise low carbon investment in the context of the post-pandemic green recovery
- Identify funding gaps and mobilise additional sources of public and private finance.

Challenges:

- Define and measure the needs for reaching the SNG's green objectives.
- Establish a dedicated organisational structure (horizontal coordination)
- Adapt existing accounting and reporting tools
- Ensure the methodology is transparent and dynamic and can adapt to changing scientific evidence and climate challenges.
- Staff training
- Involve stakeholders and communicate widely
- Guarantee the soundness of assumptions by internal or external audit
- Ensure follow-up over time in order to identify trends.



Regional and municipal green budgeting: a few examples

- The term encompasses a variety of environmentally-related budgeting practices
- No systematic and comprehensive practices identified at subnational level, yet...
- A growing body of emerging practices in OECD and EU, and beyond

France

- Brittany
- Grand-Est
- Occitanie
- Paris
- Lille
- Strasbourg
- Clermont-Ferrand
- Many more!

Spain

- Andalusia
- Catalonia

Italy

- Sardinia
- Bologna

UK

- Scotland

Norway

- Oslo
- Hamar
- Trondheim
- Bergen
- Kristiansand

Sweden

- Stockholm
- Växjö

Outside of Europe:

- Philippines (CBT)
- India (State of Odisha)
- USA (Montgomery County)
- Local Climate Finance Framework for subnational entities in Bangladesh, Indonesia, Philippines, Kenya, etc.



Guidelines and SAT for subnational green budgeting

Two case studies



International conference
22 June 2022
Paris – OECD

Six main Guidelines
With concrete recommendations

1. Development of a territorial environmental and climate plan.

2. Strong political and administrative support.

3. A robust and shared scientific foundation.

4. A step-by-step approach.

5. Integration of green budgeting into existing government procedures and tools.

6. Incorporation of revenues into the analysis.

And a **self assessment tool (SAT)**





Resources



- [OECD Green Budgeting framework](#) (2020)



- [Climate Change and Long Term Fiscal Sustainability](#) (2021)



- [Green budgeting and tax policy tools to support a green recovery](#) (2020)



- [Green Budget Tagging: Introductory Guidance & Principles](#) (2021)



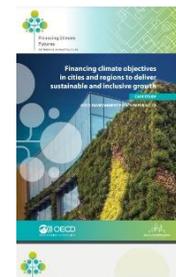
- [Green budgeting in OECD countries](#) (2021)



- [Integrating Climate Into Macroeconomic Modelling](#) (2021)



- [Green Budgeting – Towards Common Principles](#) (2021)



- [Financing climate objectives in regions and cities to deliver sustainable and inclusive growth](#) (2019)

Forthcoming Publications:

- Green Budgeting Composite Indicator
- Green Spending Reviews
- Green Budgeting Principles
- Aligning regional and municipal budgets with climate and environmental objectives: Subnational green budgeting practices and guidelines (June 2022)



- Subnational climate finance tracking:
 - Expenditure and Investment
 - Compendium
- Subnational Green Budgeting



THANK YOU

- Paris Collaborative on Green Budgeting: <http://www.oecd.org/gov/budgeting> – Margaux.lelong@oecd.org
- OECD programme on subnational climate finance: <https://www.oecd.org/regional/multi-level-governance/mlgclimate.htm> - Isabelle.chatry@oecd.org