



PARIS COLLABORATIVE ON GREEN BUDGETING

Green budgeting: from concept to action

Background

At the One Planet Summit on 12 December 2017, OECD Secretary-General Angel Gurría launched the *Paris Collaborative on Green Budgeting*, working with governments, institutions and experts to embed climate and other environmental goals within national budgeting frameworks. France and Mexico joined the announcement to express their support for the Collaborative and identify their ambitions and practical commitments under this rubric.

Objective

The Paris Collaborative aims to design new, innovative tools to assess and drive improvements in the alignment of national expenditure and revenue processes with climate and other environmental goals. This is a crucial step in achieving a central objective of the Paris Agreement on climate change as well as of the Aichi Biodiversity Targets and the United Nations' Sustainable Development Goals – aligning national policy frameworks and financial flows on a pathway towards low greenhouse gas emissions and environmentally sustainable development. This policy imperative is also highlighted in OECD reports including *Investing in Climate*, *Investing in Growth* (2017), and *Aligning Policies for a Low-carbon Economy* (2015).

Environmentally responsive or **green budgeting** means using the tools of budgetary policy-making to help achieve environmental 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.

Working method

The Paris Collaborative brings together international work-streams on environmental policy and climate change, budgeting and tax policy, green accounting and inclusive sustainable growth. It will work towards agreed definitions and methodologies that can support national approaches to green budgeting and develop outputs that can improve co-ordinated national and international policy design.

In designing and delivering its outputs, the Paris Collaborative seeks to build upon and support established international reporting practices rather than to develop duplicative approaches.

The Paris Collaborative is convened by the OECD, working in close partnership with governments and experts to co-design practical and pragmatic approaches which:

- (a) can be implemented within existing national frameworks and
- (b) are effective in generating signals for action and accountability.

Building on existing OECD work streams

- ◆ Budgeting for sustainable growth
- ◆ Long-term fiscal sustainability
- ◆ Environmental cost-benefit assessments
- ◆ Environmental tax reform
- ◆ Carbon pricing and reform of environmentally harmful subsidies

A roadmap for key outputs

Key outputs for the Paris Collaborative on Green Budgeting include:

Deliverables in progress

- ◆ A “**primer**” on **green budgeting** explaining in more detail the concept, with the intentions and ambitions for its practical use, while also establishing agreed definitions for this important new area of international work.
- ◆ A **Green Budget Statement** (GBS) in the form of a voluntary reporting tool to accompany the annual budget, and to illustrate in a concise manner whether and to what extent budget measures move a country closer to the achievement of its environmental commitments.

Future deliverables

<p>Progressively integrating environmental costs and benefits into medium and longer-term fiscal planning and financial reporting</p> <ul style="list-style-type: none">◆ A Green Budget Baseline Analysis providing a “heat-map” of the environmental impact of various areas of the expenditure and tax policy baseline.◆ Cost-Benefit Analysis and the Environment, a major update of this OECD reference publication.◆ A Green Balance Sheet valuing environmental assets and liabilities.	<p>Mainstreaming sustainability perspectives within budgetary and broader policy-making, including alignment of incentives</p> <ul style="list-style-type: none">◆ A Tax Decarbonisation Country Scan gauging the impact of carbon pricing and decarbonisation on fossil fuel use and tax revenues.◆ A Green Fiscal Sustainability Report highlighting long-term budgetary implications of environmental transitions and pathways.	<p>Developing methodologies and guidelines towards internationally recognised standards</p> <ul style="list-style-type: none">◆ Green Budget Benchmarks to provide cross-national indicators of progress against various international environmental goals.◆ A Green Budgeting Toolkit providing core reference and guidance on applying analytical tools and techniques.
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Work under the Paris Collaborative is now underway. The work outputs will be co-designed and tested among Collaborative members during 2018. As work progresses, Paris Collaborative governments may wish to pilot and pioneer green budgeting methodologies in their national budget processes.

How to get involved:

The Paris Collaborative seeks close partnership with governments around the OECD and beyond to co-design practical and pragmatic approaches to put Green Budgeting into action. In practice, this will involve close consultation with national Finance and Environmental experts to develop new tools and methodologies that are sensible and effective.

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