

**PUBLIC GOVERNANCE DIRECTORATE
PUBLIC GOVERNANCE COMMITTEE**

Working Party of Senior Budget Officials

Paris Collaborative on Green Budgeting

Experts Workshop on Green Budgeting: Mapping the forward agenda and testing initial outputs

**OECD Conference Centre, Paris
20 June 2018.**

The Paris Collaborative is an open working model for governments, institutions and experts to design new ways of embedding climate and other environmental goals within national budgeting frameworks. To facilitate this task, the Collaborative aims to deliver practical and pragmatic solutions for OECD members and partners by providing new, innovative tools to help countries in evaluating environmental impacts of budgetary and fiscal policy and in assessing their coherence with national and international commitments.

Building on previous discussions, this Workshop will provide an opportunity to test initial outputs and preparing the future agenda for this new work stream to ensure that the Collaborative delivers outputs that provide practical and pragmatic approaches for governments. As a truly multi-disciplinary exercise, the workshop will attract participants from different streams of work of several OECD bodies, including those with relevant expertise on Budgeting and Expenditure management, Taxation, and Environment policy.

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The Paris Collaborative on Green Budgeting

At the *One Planet Summit* in December 2017, OECD Secretary-General Angel Gurría launched the Paris Collaborative on Green Budgeting with the aim to bring together government officials, institutions and experts to improve the way how governments make use of the budgetary process in order to address their ambitious climate and other environmental goals.

Climate change, biodiversity loss and environmental degradation more broadly are major, imminent threats facing our planet and our societies. Arising from the range of international initiatives now in place – notably the Paris Agreement and its aim to make financial flows consistent with a long-term, low-emission development pathway; the actions set out at UNFCCC COP23; the 20 Aichi Biodiversity Targets under the Convention on Biodiversity (CBD); and other related Sustainable Development Goals (SDGs) – governments around the world are already committed to pursuing co-ordinated action in many areas.

To advance national policies on these environmental goals in pursuit of this agenda, one of the most important tools that policy makers have at their disposal is budget and fiscal policy. It is crucial establishing clear connections between public finance and environmental impacts to evaluate and improve the consistency of public revenue raising and expenditures with national and international environmental goals in a holistic manner. This will help Governments to become more accountable for their environmental commitments and to transform towards sustainable and resilient societies. Green budgeting entails taking a systematic approach to the full set of existing budgetary policies, both to assess overall policy coherence with the national agenda on climate and environment, and to mainstream an environmentally aware approach across all policy areas and within the machinery of the budget process, from prioritisation to monitoring.

To support Governments in doing so, the Paris Collaborative on Green Budgeting was created as a multi-disciplinary platform for focused research and analysis. This first Expert Workshop on Green Budgeting will gather key delegates from Ministries of Finance and Ministries of Environment, as well as other environmental, budget and tax experts and international organisations to share experiences and insights. The objectives are to discuss in more detail the scope and ambition of Green Budgeting; to test initial outputs; and to engage in an open dialogue on the future agenda for the Paris Collaborative.

Our success meeting the objectives of the Paris Agreement and the Sustainable Development Goals more broadly will require bold, collective and decisive action to make the ‘one planet’ we have a greener, cleaner and more sustainable place. The Paris Collaborative on Green Budgeting goes precisely in this direction by contributing to a step-change in how governments think and act in their budgetary process in order to address this defining challenge of our age.

Angel Gurría – OECD Secretary-General

DRAFT AGENDA

Wednesday 20 June 2018

9:30 **Registration**

10:00-10:30 **SESSION 1. Green budgeting: what and why?**

Environmentally responsive or “Green Budgeting” means using the tools of budgetary and fiscal policy to help achieve environmental goals. In practice, this may involve a range of approaches, such as examining possible environmental impacts when deciding on priorities regarding public expenditures and public revenue raising, and seeking to better align these decisions with environmental goals, while also keeping other policy priorities in mind.

The central objective of the Green Budgeting project is to add value to the national and international discussion of how environmental commitments should be put into effect, and its implications for national revenue-raising and resource-allocation policies. In this regards, the tools developed under the Collaborative help raise awareness of the potential environmental impacts of budgeting choices and therefore stimulate good practices. This way, the use of Green Budgeting also contributes to informed, evidence-based debate and discussion on sustainable development and introduces a coherent narrative across what would otherwise be disparate efforts.

This first session will serve as an introduction to the scope and objectives of Green Budgeting. The Secretariat will give a short overview of the concept of Green Budgeting and provide information on recent developments and ambitions of the Collaborative. The Session will furthermore invite the current co-champions, France and Mexico, to present on their national initiatives in relation to Green Budgeting.

Speaker:

- **Ronnie DOWNES**, Deputy Head of Public Expenditure and Budgeting Division, Governance Directorate, OECD
- **Carlos MUÑOZ PIÑA**, General Director of the Non-Tax Revenue Policy Unit, Ministry of Finance and Public Credit, Mexico and **Marisol Rivera Planter**, Ministry of Environment and Natural Resources (SEMARNAT), Mexico
- **Elise DELGOULET**, International Affairs Directorate, Ministry for Ecological and Inclusive Transition, France

10:30-11:45 SESSION 2. Learning from emerging approaches

Several OECD as well as non-OECD countries have already engaged in ambitious initiatives to integrate environmental goals into the budgeting process. For example, a comprehensive approach is the use of a climate change financing framework (CCFF) which aims to engage all relevant stakeholders toward the mobilising, managing, and targeting of domestic climate finance resources. Other examples include the Convention on Biological Diversity (CBD) Financial Reporting Framework, under which CBD Parties undertake biodiversity tagging and reporting of their expenditures. Furthermore, the tool of environmental impact assessment (EIA) has become more and more standardised across many OECD countries. Some countries apply an environmental perspective to regular spending reviews as one part of a wider process of examining cross-government environmental impacts, while others, such as Indonesia, require that all budgetary policy proposals include an assessment of green impacts.

A key element of the Paris Collaborative is to build upon these and other existing reporting structures relevant to environmental commitments, and rather than duplicate or replace these structures, to provide a streamlined and coherent approach. This session will present advanced practices and new approaches with regards to Green Budgeting to facilitate peer learning and to provide a first picture of key issues in the design, prioritisation and resourcing of budgetary aspects of environmental policies. Good practices identified during this session will feed into the work of the Collaborative.

Speaker:

- **Tjaša KRALJ**, Advisor, Ministry of Finance, Directorate for the System of Tax, Customs and Other Public Finance Revenues, Department for the System of Indirect Taxation and Customs, Slovenia
- **Carlos MUÑOZ PIÑA**, General Director of the Non-Tax Revenue Policy Unit, Ministry of Finance and Public Credit, Mexico and **Marisol Rivera Planter**, Ministry of Environment and Natural Resources (SEMARNAT), Mexico
- **Benjamin DEQUIEDT**, General Commissariat for Sustainable Development (GCSD), Ministry for Ecological and Inclusive Transition, France

11:45-12:15 Coffee

12:15 -13:30 SESSION 3. Greening of public revenue raising

It is increasingly recognised that internalisation of negative external impacts through the use of environmentally related taxes can be environmentally efficient and raise significant revenues. However, there is still a need to consider carefully how best to integrate such taxation within broader tax policy, also with respect to the use of the revenues raised, etc. It is also important to consider which impacts the decarbonisation of economies will have on public revenues, and to discuss responses to possible revenue losses.

It is also important to study further possible unintended negative environmental impacts of provisions in the tax system more broadly. Earlier OECD work has, for example, demonstrated that in many countries, the treatment of employees' benefits of private use of company-owned cars entails both large amounts of forgone tax revenue and major negative impacts on the environment and health. Other OECD work explores how depreciation rules in corporate income taxation can unintentionally affect the choice between carbon-intensive and low carbon technology investments. A careful screening of intended and unintended environmental impacts of the tax system as a whole would therefore be welcome.

Speaker:

- **Nils Axel BRAATHEN**, Principal Administrator, Environmental Policy Division, Environment Directorate, OECD
- **Edgard MORGENROTH**, Professor of Economics, DCU Business School and Member of the National Economic and Social Council, Dublin City University
- **Juho KORTENIEMI**, Counsellor, Permanent Delegation of Finland to the OECD

13:30-14:30 Lunch

14:30-15:45 **SESSION 4. Identifying and assessing harmful expenditures: what has been done?**

Many budget measures can have unintended negative environmental impacts. This may include unintended negative impacts on the environment that decision makers are simply not aware of, or negative impacts that are known in advance, but which are accepted due to the beneficial impacts these expenditures have in relation to other policy goals (e.g. infrastructure investments).

A strong candidate for the greening of public finances is to scale back any existing support measures for fossil fuel extraction or use. The OECD's inventory of government support for fossil fuels provides the latest data on such measures. Other support measures, such as certain forms of support to agriculture, can also have important negative impacts, for example on biodiversity. Unintended negative environmental impacts may also result from tax preferences for investments that are potentially environmentally harmful.

To identify harmful expenditures, governments may consider assessing the possible environmental impacts of all budgetary measures – and weighing up any negative environmental impacts against the policy benefits to which the expenditures were expected to contribute. The OECD publication on *Cost-Benefit Analyses and the Environment: Further Developments and Policy Use* (due to be published in June 2018) can be helpful in this regard. In practice, however, this approach may be limited due to capacity constraints of national authorities and it may be necessary for governments to limit their assessments to the expenditures with the potentially largest environmental impacts.

This session will look at various country examples that approach the challenge of identifying and potentially internalising harmful impacts of public expenditures. It will furthermore discuss how Green Budgeting tools can be used to identify and correct these misalignments. In particular, the session will attempt to answer the following questions: How are harmful measures identified? What is the role of cost-benefit analysis, and how can it be systematically used? How is interaction with other instruments taken into account? What can governments do to internalise their impacts?

Speaker:

- **Assia ELGOUACEM**, Natural Resource Division, Trade and Agricultural Directorate, OECD
- **Kai SCHLEGELMICH**, Senior Manager, Federal Agency for Nature Conservation, Germany
- **Andrea MOLOCCHI**, Senior Environmental Economist, Ministry for the Environment, Land and Sea, Italy

15:45-16:15 *Coffee*

16:15-17:15 SESSION 5. Working together towards the forward agenda

The Secretariat will provide an overview of potential future outputs proposed for discussion. Taking the previously discussed country cases into account, delegates are invited to reflect on research priorities and identify gaps and challenges. This will provide delegates with the opportunity to shape the future work programme of the Collaborative, conditional upon resource availability and levels of practical support for the Paris Collaborative.

The session will furthermore discuss the practical implications for countries interested in joining the Paris Collaborative, and propose ways for closer co-operation and advanced action to signal international support for the Collaborative's agenda.

Convened by the OECD, the Collaborative brings together parallel international work-streams on environmental policy and climate change, budgeting and tax policy, green accounting and inclusive sustainable growth. It provides a coordinating platform to identifying research priorities and gaps, share data and best practices, and channel these streams towards outputs that can maximise impact on coordinated national and international budget policy design.

The Collaborative works in close partnership with governments in OECD countries and beyond, institutions and experts to design approaches that are practical and pragmatic. The close collaboration will ensure that the proposed outputs can be implemented within existing national frameworks and are effective in generating signals for action and accountability on environmental policy imperatives.

In practice, the work of the Collaborative will involve close co-ordination and consultation with national environment and finance experts that co-design initial work outputs. This includes:

- joining the regular meetings of the Collaborative to input their country's views and expertise
- sharing notable examples of good practice and advancing national projects and initiatives that could come within the scope of the Green Budgeting.
- as work proceeds, testing and piloting Green Budgeting methodologies in their national budget processes

Speaker:

- **Simon BUCKLE**, Head of Climate, Biodiversity & Water Division, Environment Directorate, OECD

17:15 -17:30 SESSION 6. Conclusions and next steps

MEETING INFORMATION

Accommodations

Delegates are responsible for their own accommodation. Information on hotels close to the OECD at special rates and our online booking system can be found at: <http://www.oecd.org/site/conferencecentre/hotels-close-to-oecd.htm>

Meeting Location

The meeting will take place at the Conference Centre at OECD Headquarters – *Château de la Muette* – which is located at: 2 rue André Pascal in the 16th *arrondissement* (district) of Paris. The closest metro station is “*La Muette*” on line 9 or “*Boulaivilliers*” or “*Henri Martin*” on line C of the RER. More information on getting to the OECD can be found at: <http://www.oecd.org/site/conferencecentre/gettingtotheoecd.htm>

Security and Badges

Please be advised that OECD Headquarters is a secure complex. Badges can only be issued to registered Delegates, and a passport or national identity card is required in order to receive a badge. Delegates must go to the main entrance and pass through the security checkpoint in order to pick up badges. Please allow up to 15 minutes to complete these formalities.

Language and Simultaneous Translation

Simultaneous translation between English and French, the OECD’s two official languages, will be available throughout the meeting. Any delegate or other participant wishing to have interpretation into or out of a language other than French or English is requested to notify the Secretariat (helene.leconte-lucas@oecd.org) at their earliest convenience. Please note that the costs of interpretation in a language other than French or English must be borne by the delegation requesting this service.

Wi-Fi Internet Access and Business Centre

The OECD Conference Centre features complimentary Wi-Fi Internet Access throughout its facilities. Internet access is available in the *Espresso Café*. There is also a Business Centre located in the Conference Centre offering complimentary desktop computers with standard Microsoft Office software, Internet connections and printers.

Contacts

If you have any logistical questions please do not hesitate to contact: helene.leconte-lucas@oecd.org

For further information on substance, please contact juliane.jansen@oecd.org or visit <http://www.oecd.org/environment/green-budgeting>