GREEN BUDGETING
FOR A GREEN RECOVERY

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Introduction

• Green budgeting can support a green recovery in Asia-Pacific countries
  o Identifying green priorities and budget options
  o Assessing how different budget measures impact green objectives
  o Reporting how stimulus packages help meet green objectives

• Green recovery requires concerted policy action
  o Prioritising green policy choices
  o Speeding up structural change towards the low-carbon transition
  o Increasing society’s resilience to future shocks and reducing future risks
What is green budgeting?

- 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
OECD Green Budgeting Framework

Building block 1: Strong strategic framework

Building block 3: Reporting to facilitate accountability and transparency

The OECD Green Budgeting Framework

Building block 2: Tools for evidence generation and policy coherence

Building block 4: An enabling budgetary governance framework
How green budgeting can support a green recovery in Asia-Pacific countries?

• **Identifying green priorities and budget options**
  - Strong strategic framework
  - Green budgeting tools

• **Bringing a climate perspective to macro-fiscal forecasting**
  - Identifying mitigation and adaptation reforms in the public sector
  - Updating fiscal risk management frameworks

• **Reporting how stimulus packages help meet green objectives**
  - General green budget and green progress statements
  - Distributional impact analysis
Putting green budgeting into practice: Multiple entry points for integration in the budget cycle
How can green budgeting practices help create fiscal space and mobilise additional resources?

• **Identifying funding options within an area of government or transfers from across government**
  - Integration of green perspectives into spending reviews
  - Integration of green perspectives into medium and long-term budgetary frameworks

• **Prioritising investments that support low-carbon recovery**
  - Precondition for public and private investment
  - Alignment with de-carbonisation objectives

• **Using green tax policy as a strong revenue-raising component**
  - Carbon pricing as a core tool of a green tax policy framework
  - Increasing carbon pricing gradually over time
Emerging practices examples in Asia Pacific countries

**Indonesia**
- The Indonesian 2015-2020 Green Planning and Budgeting Strategy (GPBS) implemented in line with the Medium Term Expenditure Framework and performance-based budget system.
- Low Emission Budget Tagging and Scoring System (LESS) in key ministries to track resources spent to achieve the national emission reduction target of 26% by 2020.

**The Philippines**
- Climate Change Budget Tagging in national budget submissions for all government entities.
- Aligned with the National Climate Change Action Plan
- Publication of results in the People Climate Budget

**Thailand**
- Integrate a “Climate Change Benefit Analysis (CCBA) into budget proposals, and monitoring and evaluation mechanisms.
- Climate Change Benefit Analysis (CCBA) guidelines which provide assistance to Ministries and decision makers in the budget and planning process
What role for sovereign green bonds during a time of high debt-to-GDP ratios?

- New instrument?
- Becoming an important source of revenue for governments to finance their recoveries
- Facilitating access to credit in a constrained climate for countries to invest sustainably in a green recovery
- Enhancing the financing capacity of sovereigns and diversifying funding sources
- Broadening benefits to the economy in financing the low-carbon transition and promoting the development of a domestic market for green bonds
Key messages

• Unprecedented fiscal policy action in Asia Pacific countries
• Stimulus packages to sustainable, social and economic recovery
• Opportunity to “green” recovery packages and to speed up structural change towards the low-carbon transition
• Well-designed tax policy reinforces green stimulus
• Well-communicated spending and tax policy choices benefit to well-being, environmental protection, and resilience
OECD Paris Collaborative for Green Budgeting
recent developments (Publications):

Recent Publications

- **OECD Green Budgeting framework** (2020)
- **Green budgeting and tax policy tools to support a green recovery** (2020)
- **Climate Change and Long Term Fiscal Sustainability** (2021)
- **Green Budget Tagging: Introductory Guidance & Principles** (2021)
- **Green budgeting in OECD countries** (2021)
- **Integrating Climate Into Macroeconomic Modelling** (2021)

Forthcoming Publications:

- Green Spending Reviews
- Green Budgeting Index
THANK YOU

http://www.oecd.org/gov/budgeting

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