

### Budgeting for environmental and sustainable development

The process and arrangements for allocating public funds are key levers for achieving sustainable development. In recent decades, countries all over the globe have committed to domestic and international objectives for sustainable development, including the Paris Agreement on Climate Change and the Sustainable Development Goals (SDGs) - with the implication to advance national policy responses. To support governments in this context, the OECD is engaging in new approaches to budget planning and preparation, promoting transparency and engagement with citizens and advocating for monitoring and evaluation processes that can support the achievement of national and international commitments. The Paris Collaborative on Green Budgeting is one of these initiatives, working closely with countries to align public revenue and spending processes with environmental and climate goals.

Green budgeting aims to provide decision makers, parliament and public with a clearer sense of the potential environmental impacts of budgeting choices. Having complete information on the long term effects of policies could shape revenue raising and resource-allocation decisions by incorporating the interests of future generations and considerations on the sustainability of resources. Still, the availability of data on environmental impacts of budget choices can be limited or not systematically used. In 2018, 20% of surveyed OECD countries published the environmental and climate impact of individual budget measures. Only Germany and Italy followed a more comprehensive approach by disclosing the impact that implementing the budget as a whole would have on the environment. Information on the effects of the budget on societal wellbeing indicators is equally rare (26% of surveyed countries). In the case of capital investments, such an environmental assessment is more common. Most OECD countries conduct environmental impact assessments at the beginning of the development of public infrastructure projects, but only 12 OECD countries estimate a project's potential carbon dioxide emissions.

Integrating environmental considerations across all policy domains of the budget, ranging from environment and climate to transport, health and finances, would support the alignment of incentives and lead to a coherent environmentally informed approach to policy making supported by budgetary decisions. In most OECD countries, climate change is reflected in the budget programmes of the ministry with the lead responsibility (e.g. Ministry of Environment). A few countries, such as Canada, Finland and Ireland reflect on climate change systematically across budgetary programmes). Performance information associated to the budget could contribute to a more systematic reflection on sustainability, as well as increase transparency and accountability of progress towards environmental goals and other international commitments. Only 25% of surveyed OECD countries have started to systematically reflect (6%) or closely align (19%) the SDGs in performance budgeting systems. For example, in Norway, each of the

17 SDGs is assigned to one co-ordinating ministry that needs to report on the follow-up of various targets under the goal of the budget documents since 2016. In Mexico, the systematic alignment of budget programmes with the SDGs through the performance evaluation system was introduced in 2018.

#### Methodology and definitions

Data are drawn from the 2018 OECD Budget Practices and Procedures Survey, the 2018 OECD Performance Budgeting Survey and the 2018 OECD Survey of Capital Budgeting and Infrastructure Governance. Respondents to the surveys were predominantly senior officials in the ministry of finance, as well as in other relevant line ministries.

Sustainable development refers to development that meets the needs of the present without compromising the ability of future generations to meet their own needs. It assumes the conservation of natural assets for future growth and development.

The Paris Collaborative on Green Budgeting is the first cross-country and cross-sectoral initiative to support governments in their efforts to embed environmental sustainability commitments and green growth within budget and policy frameworks. It serves as a platform to advance analytical and methodological groundwork, support peer learning and exchange of best practices, test innovative tools and pilot projects and channel this knowledge to offer targeted assistance to governments.

In most OECD countries, the budget is presented to the legislature as a set of budgetary programmes or functional areas consisting of related budget activities. This may be in addition to, or replace, presentation based on administrative and economic classification. Programme budgeting is a characteristic element of a performance-based budgeting system.

#### Further reading

OECD Paris Collaborative on Green Budgeting, <http://www.oecd.org/environment/green-budgeting/>

#### Figure notes

On data for Israel, see <http://doi.org/10.1787/888932315602>. Data for the United States are not available.

5.13. Greece did not reply to this survey question. Ireland is in the process of systematically integrating climate considerations across budgetary programmes.

5.14. Belgium, Ireland and Italy did not reply to this survey question.

5.15. (Environment and climate effect considerations in public infrastructure projects) is available on line in Annex F.

## 5. BUDGETING PRACTICES AND PROCEDURES

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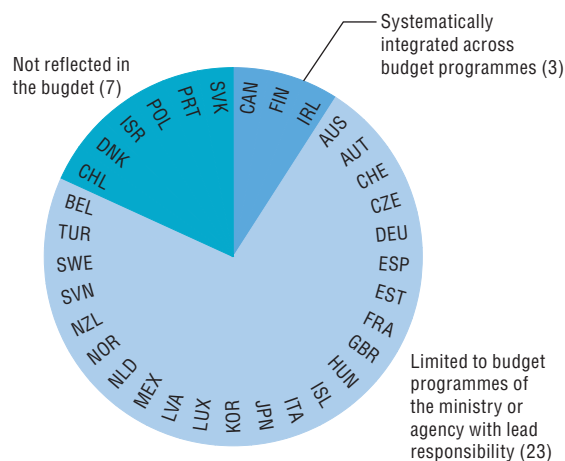
#### 5.12. Environmental and general well-being considerations published in the budget, 2018

	Environmental impacts/Climate change	Effects on range of societal well-being indicators
Australia	☑	☑
Austria	⊖	☑
Belgium	☑	☑
Canada	☑	☑
Chile	☑	☑
Czech Republic	⊖	⊖
Denmark	☑	☑
Estonia	☑	☑
Finland	☑	☑
France	⊖	⊖
Germany	⊙	⊙
Greece	☑	☑
Hungary	⊖	⊖
Iceland	☑	☑
Ireland	☑	☑
Israel	☑	☑
Italy	⊙	⊙
Japan	☑	☑
Korea	☑	☑
Latvia	☑	⊖
Luxembourg	☑	☑
Mexico	⊖	⊖
Netherlands	☑	⊙
New Zealand	☑	☑
Norway	⊖	☑
Poland	☑	☑
Portugal	☑	☑
Slovak Republic	☑	☑
Slovenia	☑	☑
Spain	⊖	⊖
Sweden	☑	☑
Switzerland	☑	☑
Turkey	☑	☑
United Kingdom	☑	☑
<b>OECD Total</b>		
Not published ☑	25	25
For individual measures ⊖	7	6
For the budget ⊙	2	3

Source: OECD (2018), OECD Budget Practices and Procedures Survey.

StatLink  <https://doi.org/10.1787/888934032472>

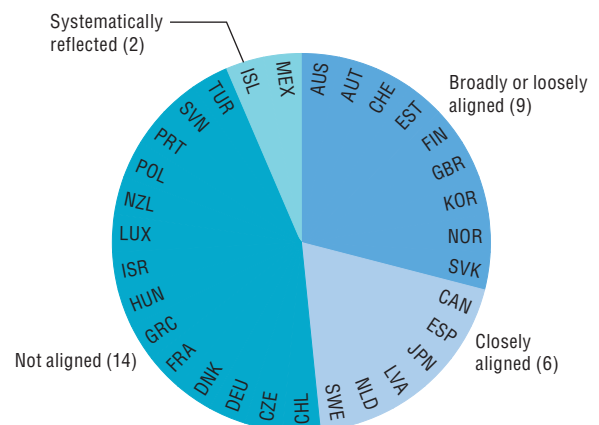
#### 5.13. Process for integrating climate change in the budget, 2018



Source: OECD (2018), OECD Performance Budgeting Survey.

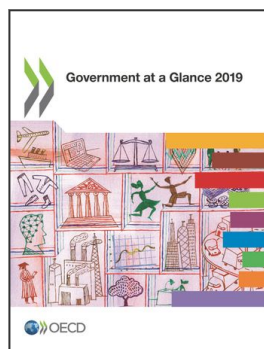
StatLink  <https://doi.org/10.1787/888934032491>

#### 5.14. Reflection of Sustainable Development Goals in performance budgeting systems, 2018



Source: OECD (2018), OECD Performance Budgeting Survey.

StatLink  <https://doi.org/10.1787/888934032510>



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