

Green budgeting

Green budgeting refers to the use of budgetary policy-making tools to progress climate and environmental objectives. This includes integrating and evaluating the climate and environmental impact of budgetary and fiscal policies and considering the path towards national and international commitments. Green budgeting is defined by four building blocks that are relevant to all stages of the budget cycle: (1) institutional arrangements; (2) methods and tools; (3) accountability and transparency; and (4) enabling environment in budgeting (OECD, 2020). In 2022, two-thirds of OECD countries surveyed had implemented green budgeting mechanisms (24 out of 36), compared to 14 out of 35 countries in 2021 (40%); almost twice as many countries implemented green budgeting in such a short period (Figure 6.1). The eleven OECD countries that introduced green budgeting since 2021 were Chile, Finland, Greece, Israel, Korea, Lithuania, New Zealand, Slovak Republic, Spain, Switzerland and Türkiye.

The 2022 OECD Green Budgeting Index shows the varying degrees to which OECD countries have adopted green budgeting (Figure 6.2). It is designed to reflect the adoption of green budgeting practices, based on the four building blocks of the OECD Green Budgeting Framework, to help policy makers with the design and development of green budgeting.

Regarding the components of the index, *Methods and tools used to implement green budgeting* remain widely adopted (Figure 6.3). The average score of this subcomponent is 0.12 ranging from 0.05 in Colombia and Türkiye to 0.23 in the United Kingdom. Most countries have carbon pricing mechanisms (22 out of 24, 92%), environmental impact assessments (18 out of 24, 75%), and sovereign green bonds (18 out of 24, 75%) as tools to implement green budgeting. Emerging tools include green elements in medium-term budgets (8 out of 24, 33%), green perspectives in spending reviews (6 out of 24, 25%) and setting carbon budgets for specific sectors in an economy (5 out of 24, 21%).

OECD countries have strengthened their *institutional arrangements*. On average this building block in the index amounts to 0.15 but there is wide variation across countries from 0.04 in Israel to 0.21 in Norway and the United Kingdom. Countries with developed practices have passed legislation on green budgeting, as is the case in Norway. Most countries have developed frameworks through administrative practices (see Online Figure G.3.1). The *Accountability and transparency* arrangements are an emerging practice, and it is the building block with the lowest score. The involvement of civil society, monitoring of green budgeting and the submission of a green budget statement to parliament are not widespread practices; at present only adopted in Ireland and Korea (see Online Figure G.3.2). Green accounting standards and oversight mechanisms are at an early stage of development. The building block on the *Enabling Environment* displays an average score of 0.14 ranging from 0.00 in Switzerland to 0.25 in Greece and the United Kingdom. Countries that fare comparatively well are those that have implemented programme and performance budgeting with relevant links

to green initiatives, as is the case in France and Sweden. Many countries have also put in place capacity building initiatives, with 10 out of 24 countries initiating training and skills development for line ministries (42%) in 2022 (see Online Figure G.3.3).

Methodology and definitions

Data are derived from the 2022 OECD Green Budgeting Survey, encompassing responses from 36 OECD countries and referring only to central/federal government practices as of end-June 2022. Respondents were predominantly budget officials within central budget authorities. Responses represent the country's own assessment of current practices and procedures.

The 2022 OECD Green Budgeting Index has four dimensions and is based on the four building blocks of the OECD Green Budgeting Framework, each with an equal weight (0.25). The index ranges from 0 (not implementing) to 1 (high level of green budgeting practices). Country green budgeting practice scores were determined by adding together the weighted scores of each dimension, varying from 0 to 1. The variables and weightings comprising the index were selected by OECD experts based on their relevance to the concept and have been reviewed by county delegates to the OECD Paris Collaborative on Green Budgeting.

Further details on the composite index are available in Annex A.

Further reading

Blazey, A. and M. Lelong (2022), "Green budgeting: A way forward", *OECD Journal on Budgeting*, Vol. 22/2, <https://doi.org/10.1787/dc7ac5a7-en>.

OECD (2020), *OECD Green Budgeting Framework*, OECD, Paris, <https://www.oecd.org/environment/green-budgeting/OECD-Green-Budgeting-Framework-Highlights.pdf>.

OECD (forthcoming), *Green budgeting in OECD countries – 2022 OECD Green Budgeting Survey Results*.

Figure notes

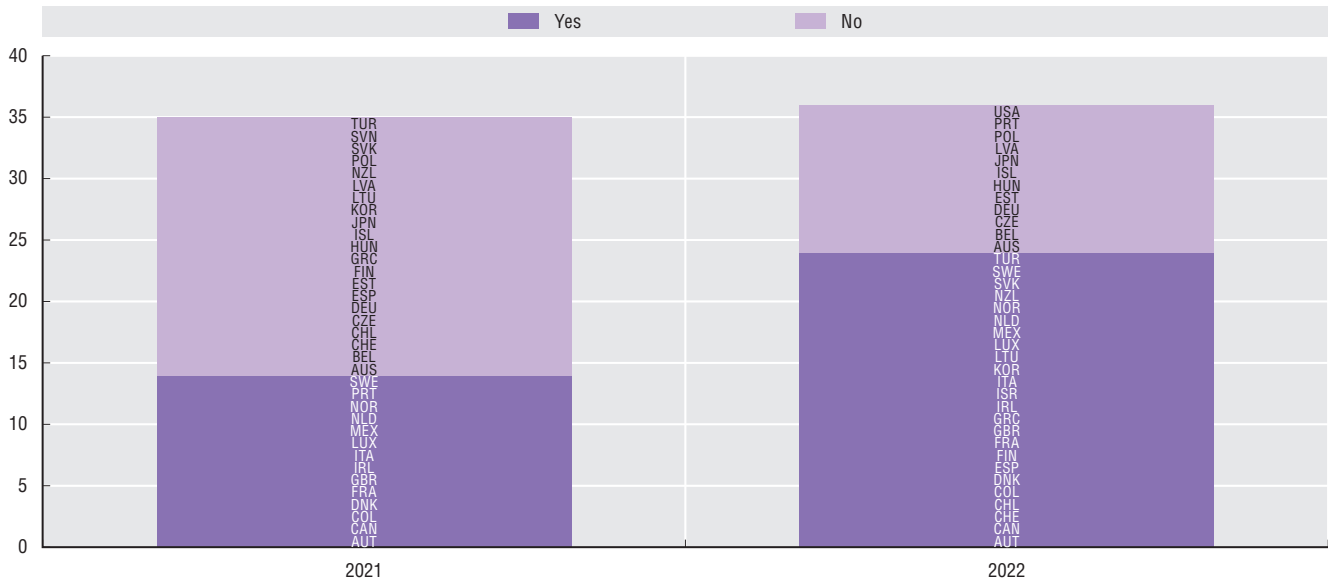
For 2022, data for Costa Rica and Slovenia are not available.

6.1. For 2022, Hungary, Latvia and Portugal are not practicing green budgeting but have plans to introduce green budgeting in the future. For 2021, data for Costa Rica, Israel and the United States are not available.

6.2. Updated from the 2021 OECD Green Budgeting Index reflecting changing practices.

G.3.1 (Legal basis for green budgeting, 2021 and 2022), G.3.2 (Accountability and transparency arrangements for green budgeting, 2022) and G.3.3 (Enabling environment for Green Budgeting, 2022) are available online in Annex G.

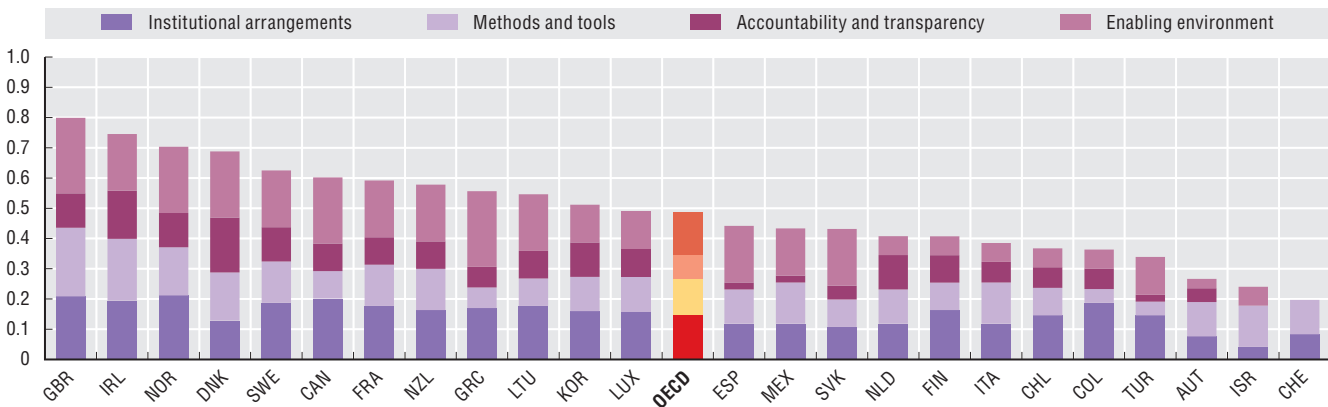
6.1. Existence of green budgeting, in 2021 and 2022



Source: OECD (2022), OECD Survey on Green Budgeting; and OECD (2021), OECD Annual Update on Green Budgeting.

StatLink <https://stat.link/ujsqo>

6.2. OECD Green Budgeting Index, 2022



Source: OECD (2022), OECD Survey on Green Budgeting.

StatLink <https://stat.link/1ak59q>

6.3. Green budgeting methods and tools, 2022

Country	Carbon pricing instruments	Environmental impact assessments	Sovereign green bonds	Green budget tagging	Review of harmful tax expenditures	Environmental cost benefit analysis	Green in multi-annual budgets	Green perspective in spending review	Carbon budget
Austria	●	●	●					●	
Canada	●		●		●				
Chile	●		●	●		●			
Colombia			●						
Denmark	●	●	●			●			
Finland	●	●	●	●	●				
France	●	●	●	●	●	●			●
Greece	●		●	●	●			●	
Ireland	●	●	●	●	●	●	●	●	●
Israel	●	●	●	●	●				
Italy	●	●	●	●	●	●			
Korea	●	●	●	●				●	
Lithuania	●	●	●	●		●			
Luxembourg	●	●	●	●			●		
Mexico	●	●	●	●	●		●		
Netherlands	●	●	●	●	●	●			
New Zealand	●	●	●	●		●	●		●
Norway	●	●	●	●	●	●		●	●
Slovak Republic	●	●	●	●	●	●	●		●
Spain	●	●	●	●	●				
Sweden	●	●	●	●	●				
Switzerland	●	●	●	●			●		
Türkiye	●	●	●	●		●	●		
United Kingdom	●	●	●	●	●	●	●	●	●
OECD Total									
● Yes	22	18	18	13	12	11	8	6	5

Source: OECD (2022), OECD Survey on Green Budgeting.

StatLink <https://stat.link/09jeqr>



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