

SDG Charter Dialogue

Green and Climate-sensitive Budgeting

Date: 31 October 2023

Time: 2:00 p.m.–4:30 p.m. IST

EVENT SUMMARY



SDG CHARTER VIRTUAL DIALOGUE

Date: 31st October 2023 (Tuesday)
Time: 2:00 – 4:30 p.m. (IST)

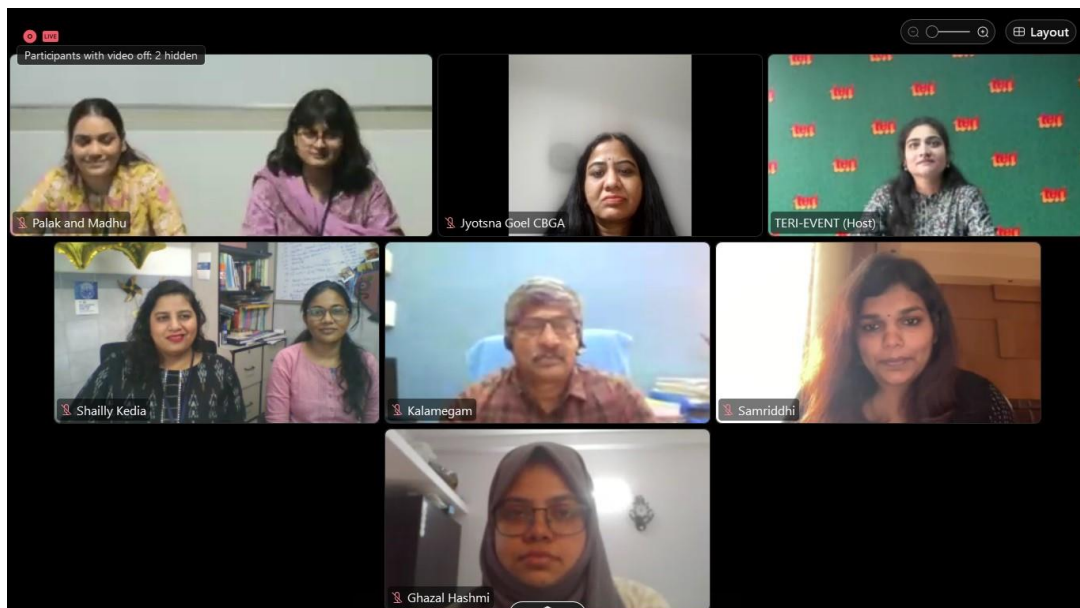


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ABOUT

WORLD SUSTAINABLE DEVELOPMENT SUMMIT

The World Sustainable Development Summit (WSDS) is the annual flagship Track II initiative organized by The Energy and Resources Institute (TERI). Instituted in 2001, the Summit series has a legacy of over two decades for making 'sustainable development' a globally shared goal. The only independently convened international Summit on sustainable development and environment, based in the Global South, WSDS strives to provide long-term solutions to benefit global communities by assembling the world's most enlightened leaders and thinkers on a single platform. Over the years, the Summit series has witnessed the participation of 56 Heads of State and Government, 126 Ministers, 13 Nobel Laureates, 1932 Business Leaders, 3023 Speakers, and 39,483 Delegates.

ACT4EARTH

Act4Earth initiative was launched at the valedictory session of the 21st edition of WSDS. Building on the discussions of WSDS, this initiative seeks to continuously engage with stakeholders through research and dialogue. Act4Earth initiative has two components: COP Compass and SDG Charter. The COP Compass seeks to inspire and mobilize leadership at all levels for inclusive transitions through ambitious and informed policies and measures, enabling paradigm shifts towards meeting the United Nations Framework Convention on Climate Change (UNFCCC) and Paris goals through mitigation, adaptation, and means of implementation. SDG Charter identifies gaps and suggests ways to strengthen and mainstream sustainable policy agendas for enhanced environmental, social, and economic outcomes.

SDG CHARTER DIALOGUE

Considering the recently adopted G20 New Delhi Leaders' Declaration at the G20 Leaders' Summit and the upcoming COP28 to be held in Dubai, it is pertinent to discuss the interface between SDGs and climate action. This dialogue seeks to engage with experts on the topics of green budgeting and sustainable lifestyles to advance an action-driven agenda on sustainable development and climate-sensitive actions.

GREEN AND CLIMATE-SENSITIVE BUDGETING

While environment departments/ministries generally have the mandate to deal with environmental policy frameworks and regulations, line ministries and departments do much of the implementation; they need to integrate climate action and sustainable development actively and consciously into their policies and practices by allocating higher budgets to sustainable practices and less to unsustainable sectors. 'Green budgeting' is a tool involving budgetary planning that can help in systematic mapping and tracking the sources of funds, outlays, expenditures, and policies, which, in turn, can support coordinated policy design and identification of periodic and continuous finance needs to achieve green objectives, that is, those relating to the climate and environmental dimensions. The questions for this session include: What are the benefits and challenges of green budgeting as a tool for green and climate-sensitive decision-making? What are the key lessons from emerging practices on green budgeting?

Suggested Citation

The Energy and Resources Institute. 2023. SDG Charter: Green and Climate-sensitive Budgeting [Event Summary], Act4Earth and World Sustainable Development Summit. New Delhi: The Energy and Resources Institute.

Disclaimer

The event summary is based on an auto-generated transcript. Some edits were made on grammar and spelling. The discussion can be accessed from YouTube:
<https://www.youtube.com/watch?v=hC6MGDim1rE>.

Welcome Address

- Dr Shailly Kedia (Senior Fellow, The Energy and Resources Institute)
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Framing Presentation

- Ms Palak Khanna (Research Associate, The Energy and Resources Institute)
 - Ms Madhuparna Maiti (Project Associate, The Energy and Resources Institute)
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Panel Discussion

Chair

- Mr R R Rashmi (Distinguished Fellow, The Energy and Resources Institute)

Panellists

- Dr Jyotsana Goel (Thematic Lead - Climate Finance, Centre for Budget and Governance Accountability)
 - Ms Samriddhi (Associate Lead - Public Finance, CivicDataLab)
 - Mr Kalamegam (Environmental Engineer, Department of Science Technology & Environment, Government of Puducherry)
 - Ms Ghazal Hashmi (Research Associate, Asian Development Research Institute)
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Vote of Thanks

- Ms Sonali Mathur (Manager, The Energy and Resources Institute)

Message 1: It is crucial that sustainable development and environmental goals are mainstreamed, and actions are taken at all levels, including by states, markets, and individuals.

Message 2: Green budgeting is a tool involving budgetary planning that can help in systematic mapping and tracking of the source of funds, expenditures, and policies, which help move along the path of sustainable development and achieving green objectives. Green budgeting is also the steppingstone for green procurement.

Message 3: The green budget exercise of Puducherry evolved as a part of its state action plan on climate change. During the preparation, the state felt the need for efficient budgetary planning to evolve good practices so that the physical spending of the government is in alignment with the various environmental targets and objectives.

Message 4: Every state has geographic challenges and climate change indicators. It is not plausible to advocate for a one-size structure or a standardized framework of green budgeting to be adopted by each state since the context of climate budget changes from state to state.

Message 5: One challenge is tracking different schemes and their components by working towards climate change, adaptation or mitigation, or environmental sustainability. Thus, the climate change consideration should also become part of framing the budgetary heads.

“ In the trajectory of climate actions across the country, we are doing well on the NDCs, but at the economy-wide and national levels, the challenge is to incorporate these economy-wide goals into regional- and state-level actions.

Mr R R Rashmi
Distinguished Fellow, The Energy and Resources Institute

“ We live in a time of Polycrisis when the world is confronted by the triple challenges of planetary crises, sliding back of key sustainable development goals, and the ever-growing conflict threatening world peace. Integration of sustainable development across all spheres is more important than ever.

Dr Shailly Kedia
Senior Fellow, The Energy and Resources Institute

“ We cannot say that each state can adopt a one-size structure and a standardized framework of green budgeting. So, when go for the standardization (of green budgeting) at the state level, we need to be mindful that the local context is not lost.

Dr Jyotsana Goel
Thematic Lead, Climate Finance, Centre for Budget and Governance Accountability

“ Green budgeting sets a platform where I think a state can be ranked in terms of how they are performing on the ESG score, and green budgeting can also become a tool to improve the ESG ranking of different states.

Ms Samriddhi
Associate Lead - Public Finance, CivicDataLab

“ The first challenge is that the states and union territories face a lack of capacity and knowledge on the green budget process. So to begin with, the right collaboration with a knowledge institution is very much essential to get out of this challenge.

Mr K Kalamegam
**Environmental Engineer, Department of Science Technology and Environment,
Government of Puducherry**

“ If states enhance their capabilities in environmental sustainability activities, they will receive more funding and resources, increasing their competitiveness.

Ms Ghazal Hashmi
**Research Associate,
Asian Development Research Institute**

Dr Shailly Kedia, The Energy and Resources Institute

Dr Kedia emphasized that we live in a time of Polycrisis when the world is confronted by the triple challenges of planetary crises, sliding back of key sustainable development goals, and the ever-growing conflict threatening world peace. Sustainable development and environmental goals must be mainstreamed, and actions must be taken at all levels, including by states, markets, and individuals. She pointed out that through its G20 Presidency, India furthered a green development pact that seeks to promote integrated, holistic, and balanced actions. To this end, green and climate-sensitive budgeting is a policy tool that can integrate various environmental dimensions into existing schemes and programmes. She said TERI takes pride in advocating for and working on this policy innovation over the years.

Dr Kedia also spoke about the G20 High-Level Principles on Lifestyles for Sustainable Development that aim to promote interlinkages between development, environment, and climate agendas. She said a key question would be how India positions itself as a champion of this cause and further internationalizes it through avenues such as UNFCCC and UNGA processes. She informed that dialogue should seek to engage with experts on green and climate-sensitive budgeting and sustainable lifestyles, with the former being a largely policy instrument while the latter involving market and social instruments. She stated that both these innovations complement policies, markets, and actions by individuals and communities.

Mr R R Rashmi, The Energy and Resources Institute

Mr Rashmi said that the discussion should revolve around green budgeting tools that are being employed by various state governments in India, with a reasonably good degree of success. He stated that as countries move along the trajectory of climate actions, India has been doing well on the NDCs at the national levels. However, the challenge is to incorporate these economy-wide goals into regional- and state-level actions on a monitorable basis. The idea is to find the resource gaps and the appropriate framework for sustainable development at the state level. The dialogue should highlight how green budgeting tools can help in this process.

Mr Rashmi highlighted that green budgeting is a tool involving budgetary planning that can help systematically map and track the source of funds, expenditures, and policies, which help move along the path of sustainable development and achieving the green objectives. He advocated that green budgeting is the steppingstone for green procurement. He said that the discussion should revolve around the kind of tools employed and the benefits and challenges of green budgeting as a tool for rain- and climate-sensitive decision-making. The discussion, he opined, should also focus on the emerging green budget practices globally and within the country.

Dr Jyotsana Goel, Centre for Budget and Governance Accountability

Dr Goel explained that the green budgeting processes streamline environmental sustainability within the fiscal framework of the sustainable development processes. Green budgeting can encourage sectoral participation as a collective action. She further emphasized the role of public finance, a central governance point. Citing an RBI report, Dr Goel said that the estimates of climate financing have increased from USD 44 billion per year to USD 288 billion per year. Public finance resources provide 46% of the finances, including PSU funding. Over the years, budgetary constraints have increased. There is a need to increase the effectiveness of public financing for climate action. Additionally, there is a need to build cohesiveness in public and private finances to cover different objectives pertaining to climate environment, adaptation and mitigation, waste management, circular economy, green public procurement, and many more. Green budgeting can offer a baseline review, midterm review, and final review that can also help lay the foundation for the next year's programming for public provisioning by the government.

Every state has varying geographic challenges and climate change indicators. It is not plausible to advocate for a one-size structure or a standardized framework of green budgeting to be adopted by each state since the context of climate budget changes from state to state. Even when one is going for standardization, it is important at the state level the local context is not lost. The design of the public finance framework at the state level should be state specific. While the basic principle may be common across states, the local context and the local indicators need to be prioritized when designing the framework at the state level. Another challenge pointed out by Dr Goel was that green budgeting is concentrated on the expenditure rather than the revenue side. Adding the revenue dimension to the green budgeting is essential since the budget includes both expenditure and revenue.

Ms Samriddhi, CivicDataLab

Ms Samriddhi began by explaining that for a lot of countries in the Global South, a major share of climate-related funding or climate-related investment comes from the government. Hence, there is a need to ensure accountability and transparency of data. Public finance can be used as a tool for the same. The role of green budgeting as a tool is very crucial and critical. Ms Samriddhi agreed with the points Dr Goel made with respect to policy coherence and sectoral participation. She said that another important aspect is the ESG, which stands for environmental, social, and governance courses. As various regional and state governments are taking part in publishing green budgeting statements, it can set a platform where the states can be ranked in terms of how they are performing on the ESG score. Further, green budgeting can become a tool to improve the ESG ranking of different states. It would even leverage private investments towards states, further incentivizing them to fight climate change.

One of the challenges is tracking different schemes and their components working towards climate change, adaptation or mitigation, or environmental sustainability. Thus, the climate change consideration should also become a part of how the budgetary heads are framed. Ms Samriddhi supported her statement by giving the example of Assam, which has been trying to monitor the schemes and assess the performance of these schemes. Assam is also working towards finding solutions on how fund releases can be prioritized in terms of the performance of these schemes. While Ms Samriddhi acknowledged that different states have different needs and priorities for their green budgetary process, she opined that there needs to be some coherence and interlinkages between the principles that can, in time, make the budgeting practices more comparable that could help to learn from different states' policies. Further, she added that there are several other opportunities beyond green budgeting. Giving the example of Assam, she explained that the state introduced a green innovation fund for its current financial year that encouraged different startups or research institutions to develop innovations and green alternatives. Such ideas may be replicated and scaled for other states as well.

Mr K Kalamegam, Department of Science Technology and Environment, Government of Puducherry

Mr Kalamegam provided the views of the Union Territory of Puducherry on green budgeting for achieving sustainable development goals and climate targets. He said Puducherry is the first federal entity in the country to table a green budget in the regular budget session and the first union territory to have such a green budget initiative in the country. He appreciated TERI's collaborative efforts and the research guidance throughout their green budget process. The green budget exercise of Puducherry evolved as a part of their state action plan on climate change. During the preparation, they felt the need for efficient budgetary planning to evolve good practices so that the government's physical spending aligns with the various environmental targets and objectives. Mr Kalamegam opined that the first challenge faced by the states and union territories is a lack of capacity and knowledge on the green budget process. Thus, the right collaboration with a knowledge institution is very much essential to deal with this challenge. Further, it was observed that the framework for green budgeting is not that visibly available or accessible. He explained that the reason for this is their differing nature of work, which requires more technical inputs from a knowledge institution to support the government in preparing the green budget, especially in the initial years.

Mr Kalamegan said that for preparing their green budget, they identified 25 themes relevant to various SDGs and sent them to all the departments that were asked to develop action plans for 2023/24, the first green budget plan year for Pondicherry. Further, they were able to sensitize all the government departments and the bureaucratic levels while also mobilizing the government's political will through orientation workshops. The departments were required to incorporate some budget allocations for these thematic areas. Assessing the previous 2023/24 budget allocations for green components with the current 2023/24 budget, he pointed out a 150% hike (from Rs194 crore to Rs 483 crore) in the green budget components. The advantage of the green budgeting exercise was observed in the enhanced success of various government projects in achieving environmentally friendly outputs. He specified that the government of Pondicherry is also working on revisiting this budgetary process, mapping the actual spending of various departments during the budget review process. To maintain the efficiency and accountability of this initiative, this exercise will be subsequently carried forward for the next financial year as well.

Ms Ghazal Hashmi, Asian Development Research Institute

Ms Hashmi provided her views on the green budget of Bihar. The green budget was initially based on one of the flagship schemes of the Bihar government—the Jal Jeevan Hariyali scheme. The green budget is largely based on expenditure, focusing on the schemes and what the state plans through departments. Here, the major stakeholder is the finance department, which aligns all the departments to work towards the green budget while enhancing the capabilities of the stakeholders. Ms Hashmi reiterated that Bihar has increased its green budget from 7% to 12.55% of the total budget and has also increased the number of schemes from 103 to 237. This reflects the fact that more departments are joining in the green budget. She maintained that green budgeting can be an important tool to achieve the 2070 goal of the low-carbon development pathway. She further shared her insights from the road construction department, which, after the launch of the green budget, has been using 20% plastic in road construction. She said that it showed that the departments are also inclined towards increasing their involvement in environmental sustainability activities.

She spoke about climate-resilient agriculture, a major policy of the state's agriculture department that covers SDG 13, green budgeting, and climate-sensitive agriculture. According to Ms Hashmi, one of the limitations is a lack of knowledge among the officials for whom green budgeting is only a budgeting or accounting process, and they do not consider it an SDG. She suggested increasing the competitiveness among the states. She added that if the states enhance their capabilities in environmental sustainability activities, they will receive more funding and resources, increasing the state's competitiveness and enhancing the budgeting experience. Since it is more of an accounting process, increasing competitiveness in this manner would provide more details regarding the value addition by the schemes.
