

Green Budgeting

A Pioneering Initiative in Puducherry

Governments worldwide are recognizing the imperative to balance economic development with ecological responsibility. Article by **Balaji** details the pertinence of green budget. The text has been authenticated by the case study of the Government of Puducherry whereby the UT has made noteworthy efforts in the upward allocation of green funds to strengthen climate resilience.

In an era where the pursuit of economic growth intertwines with the urgent need for environmental stewardship, the concepts of green financing and green policymaking have emerged critical in the endeavour for a sustainable future. Governments worldwide are recognizing the imperative to balance economic development with ecological responsibility, and the integration of green financing and policymaking serves as a compass in this transformative

journey. Green financing, at its core, involves the allocation of financial resources towards projects and initiatives that demonstrate environmental sustainability, contribute to climate change mitigation, and foster overall ecological well-being. Green policymaking involves the formulation and implementation of policies that prioritize environmental sustainability, address climate change challenges, and promote eco-friendly practices across

various sectors. It is here, the process of green budget helps a government to have a better assessment of their green financing and policymaking and strategize effectively towards sustainable policymaking and budgetary allocation that offers long-standing climate resilience.

Green budgeting is not merely a financial strategy; it is rather a paradigm shift in the way we approach economic planning. It integrates environmental



considerations into our budgetary processes, recognizing that economic prosperity and ecological sustainability are not mutually exclusive but intertwined facets of a responsible government. Green budgeting finds its space in the planning, policymaking, and implementation ideologies of national and sub-national governances as it helps in optimizing the financial allocations to developmental activities with environmental concerns. With the intent to foster a sustainable society, the global governance started transitioning from the Millennium Development Goals (MDGs) to the Sustainable Development Goals (SDGs) post 2015, the difference being that the SDGs mainstreaming environmental concerns into the development planning, while the focus until then was merely social development and well-being without much thought into the environmental aspect of development. However, it is post the SDGs, governments are largely trying to ponder upon the idea of 'development' with no compromise on 'environment'. Now, we have come to a space where we also address the financial aspect involved in development mainstreamed with environmental concern. It is precisely here we place green budgeting as our core idea of a government's financial planning.

A context on Puducherry's Budget

This story is to showcase the fact that the Government of Puducherry has taken a significant stride in tabling the green budget in its annual budget session 2023/24 and the Department of Science, Technology, and Environment has carried out a methodical green budgeting exercise following a comprehensive assessment of the annual budget in consultation with the line departments of the Government of Puducherry. The Union Territory of Puducherry receives funding from the Central Government through three different channels: the

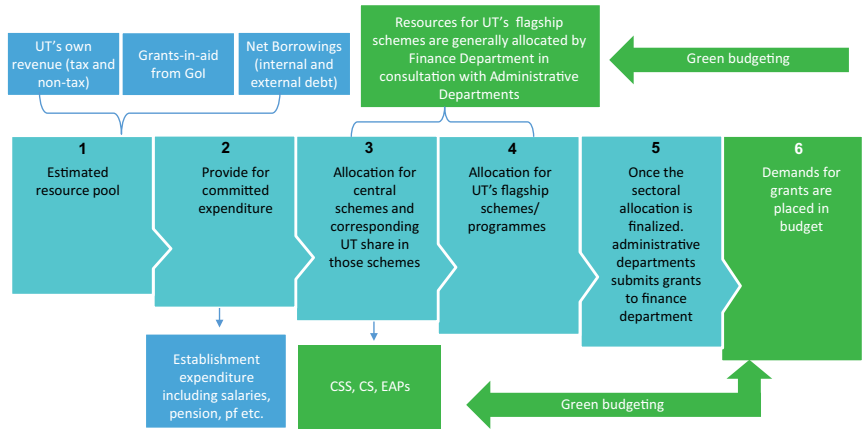


Central Assistance, Centrally Sponsored Schemes, other CRF and Loans. It is also worth noting that Puducherry is the only UT with legislature having a separate public account. Internally, the UT manages the funding and budget allocation either through its own resources via tax and non-tax receipts, grants from the centrally sponsored schemes or through borrowing from open market and central financial institutions. To be precise, the total budget estimate for Puducherry for the present financial year 2023/24 is INR11,600 crore and the idea was to identify the green allocation out of this expenditure. This way, it will be helpful in optimizing our activities and budget allocations to more greener initiatives, in

meeting the environmental and climatic challenges of the present times and to sustain our resources and in developing clean energy resources.

Green Budgeting: The Process

The green budgeting exercise for the UT of Puducherry was conducted in collaboration with The Energy and Resources Institute (TERI), New Delhi and the analysis explores themes and activities for better integration of environmental components into existing budget items. The analysis was done by establishing a baseline indicator for FY 2022/23 and analyse the green budget for FY 2023/24. The process involved



Framework for green budgeting for the UT of Puducherry

data collection from several government departments of the UT on the following heads:

(i) green budget, (ii) percentage of green budget of identified scheme budget, (iii) percentage green budget of RE/BE, (iv) the number of departments that identified schemes and green components, and (v) the number of budget line items with green components and the assessment was done with data inputs from 15 departments. A comprehensive data-collection proforma was prepared which included a list of environmental sustainability themes, based on which theme mapping of the proposed green budget activity could be done.

Categorically demarcating each of the budget item to a list of carefully defined thematic areas helps provide a better rationale in being decisive about an item being a green component, and moreover, mapping of the budget items to the Sustainable Development Goals helps track the UT's commitment

towards achieving them by the year 2030, while also emphasizing the importance of SDG mapping for tracking environmental impact. Additionally, it highlights sustainability approaches adopted by each department, offering a comprehensive view of their efforts to promote environmentally positive practices.

Findings of Green Budgeting for the FY 2023/24

The green budget of the Government of Puducherry increased by 153% from INR191 crore in the baseline year to INR483 crore in FY 2023/24. The percentage of the green budget in the

Baseline indicators and analysis of green budget for the FY 2023/24

Indicators	FY 2022/23	FY 2023/24
RE/ BE (in '000 rupees)	115,000,000	116,000,000
Scheme budget (in '000 rupees)	24,520,483	29,437,884
Green budget (in '000 rupees)	1,908,127	4,834,121
Percentage of green budget of identified scheme budget	7.78	16.42
Percentage of green budget of RE/BE	1.66	4.17
Number of departments that identified schemes and green components	9	15
Number of budget line items with green components	120	134



Launch of Puducherry Green Budgeting Report: 2023-24 by the Chief Minister of Puducherry



identified schemes increased from 7.78% to 16.42%. As a share of total expenditure (revised estimates for FY 2022/23 and budget estimates for FY 2023/24), the green budget component increased from 1.66% to 4.17%. In the baseline year, nine departments identified schemes and green components, while in FY 2023/24, 15 departments identified both schemes and green components.

Out of 15 departments, 10 departments had thematic activities on climate change mitigation, followed by sustainable consumption and production, clean/green technology, pollution abatement, climate adaptation, water management, waste management, energy conservation, and water quality. Of 15 departments, 13 had activities under the programme/scheme implementation category, followed by green technology and infrastructure, regular operation and maintenance, policy action, IEC, skilling building, capacity-building, and subsidies.

In terms of SDG mapping, out of the 15 departments, 12 contributed to SDG 13, making climate action a major focus of green/environmental sustainability activities. SDG 6 (clean water and sanitation), SDG 7 (affordable and clean energy), and SDG 12 (responsible consumption and production) were included in the activities of eight departments. SDG 3 (good health and well-being) and SDG 11 (sustainable cities and communities) were included in the activities of seven departments.

Way Forward

The *Green Budget Report* of the Union Territory of Puducherry for FY 2022/23 (baseline year) and FY 2023/2024 is a comprehensive document that outlines the green budget allocation, highlights the green budget allocation, highlights the sustainability initiatives, maps activities to promote environment-sensitive planning, accountability, aligns with the SDGs, and provides valuable

recommendations for departmental budgeting. It is a road map for fostering sustainable development and promoting a greener future in Puducherry. It is a sincere hope that the Union Territory of Puducherry champions the cause of environmental protection by further integrating environmental components in more budget line items by various departments. Its ambition in the coming years is to continue this green budget exercise every financial year, roping in more departments into proposed green activities in their annual budget so that all the departments become an integral part of the green budgeting of Puducherry and also to increase the share of green budget, which is presently around 5% of the total budget, to 10% in the present year and beyond 10% in the future years. ■

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