Designing and implementing green public investment programmes – approach and main elements

4th May 2022
Greening public expenditure

- **Assumption**: Public (environmental) expenditure is a key mechanism to address some of the fundamental problems and, in a broader sense, to promoting a greener model of development.

- **Instrument**: (Green) public investment programmes as an indirect form of public (environmental) expenditure played an important role in many countries – including the ones in transition.

- **Approach**: In the context of public finance, programming is a process by which decisions are made with regard to which priority areas that need public support and whose objectives would not be achieved without allocating funds (resources).
Components of the projects

I. Programmatic approach
II. Sectoral focus
Why programmes are needed

- Many environmental projects are not profitable or their profitability is too low to attract attention/interest of the private sector

- Thus, the governments have in principle two choices:
  1. **Sticks** — To force implementation by regulation, though this might not be always possible (e.g. free market principles)
  2. **Carrots** — To financially support investments of the private sector

- In some cases, even relatively small technical assistance offered can tip the scales of decision-making towards more environment-friendly options (esp. in case of smaller companies)
Objectives of the projects

First-level objectives (achieved by the project)
- Design – transfer practical skills and know-how to specialists in the partner ministries with responsibilities for managing green public investments
- Implementation – enhance capacities to implement the designed green public investment programme and, more importantly, also similar low-carbon public investments in future

Second-level objectives (achieved by programme implementation)
- Leverage “private” investments into clean and socially important projects through more targeted public spending and utilising other domestic (such as public-private partnerships) or international finance support mechanisms
- Contribute to accelerating the socio-economic development of the country (e.g. through creation of green jobs, adoption of innovative technologies)
How to leverage private investments

- Public resources are provided, first and foremost, to cover a part of the capital costs of such programmes/projects with the aim of creating fixed assets which contribute to solving environmental and climate-related problems.

- The programme design assumes and assesses the interest of the private sector – as the major bulk of investments are supposed to come from companies and individuals – and also of international community (such as IFIs).
Key steps in programme development

1. Review key policy documents and discuss national targets
2. Develop a hypothesis which can contribute to achievement of these
3. Define the project pipelines (types of projects) that can best support project objectives (low-hanging fruit)
4. Calculate the investment needs and programme outcomes (input/output)
5. Propose the institutional set-up and support the government in programme implementation
Objectives of a programme

1) Improve the image of public subsidies

2) Leverage private (non-state) investments into cleaner infrastructure, equipment, techniques and technologies

3) Contribute to accelerating the socio-economic development of the country (e.g. through creation of green jobs, adoption of innovative technologies)
Requirements for programme implementation

Clearly defined and allocated resources that are realistically assessed for the whole preparation (and later implementation) process

- Minor part for the programme preparation (technical assistance)
- Major part for the programme co-financing (financial) and managing the programme (human resources)

Besides strategic (environmental) objectives, the investment planning process brings along several important results and improvements

- Higher chances of obtaining adequate funding, be it from national budgets or international sources of financing (easier to make budget allocations or prepare co-financing proposals)
- Efficient use of scarce financial resources for both “hard” and “soft” investments
Key principles

- Public funds should not replace private financing
- Expenditure programme needed only if public subsidy is shown to be indispensable to achieve environmental objective
- Funds allocated to expenditure programme strictly justified
- Concentration on the most pressing issues
- Encouraging the private sector to take the lead
- Introducing new techniques and technologies
- Supporting education (awareness) and public participation (ownership)
Beneficiaries / implementers

The main beneficiary of the (EU4Environment) technical assistance are the respective partner ministries – usually a ministry with environmental agenda

i. The Ministry can implement the programme

ii. The Ministry can delegate the implementation to environmental funds, environmental agency (national/regional)

iii. The Ministry can outsource the implementation to NGO or even private company (banks, investment funds, etc.)
Key benefits

Benefits for environment
  - programmatic approach contributes to sustainability of investments through longer-term planning timeframe (e.g. MTEF) and increased transparency of decision-making

Benefits for citizens
  - pipelines of projects may target multiple improvements (e.g. in state of environment, public services, employment or access to jobs, etc.)

Benefits for public finances
  - increased effectiveness and efficiency of local public spending

Benefits for public authorities
  - enhanced investment planning and management capacities (budget allocations and financing proposals) & strengthened communication channels (esp. in case of cross-sectoral focus)
“Designing a green public investment programme”

Greening public expenditure
Tools applied

- Country consultations
- Stakeholders meetings
- Training workshops
- Webinars

Participatory approach is key to support the development of local ownership at all levels (challenging in an online world)
Thank you for your attention

david.simek@oecd.org
OECD Environment Directorate