
A PRIMER AND PLAYBOOK ON GREEN BUDGETING



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1. Introduction

The urgency for realizing sustainable development goals (SDGs), addressing anthropogenic climate change, biodiversity loss, and environmental degradation, requires coordinated efforts in terms of planning, coherent policy design, systematic approaches, strengthened institutions, and well-structured budgets. Since budget exercises are periodically undertaken by all ministries/ departments, annual government budgets that consider climate and environmental dimensions can be a potential driver to mainstream SDGs and climate actions into the development activities towards achieving environmental targets. Furthermore, government budgets can also be used as a tool for the assessment of governments' activities on various environmental commitments. Moreover, 'green budgeting' is a mechanism of budgetary policy making than 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.



2. Rationale

While environmental regulation is the principal responsibility of environmental ministries/ departments, the mandate for implementation lies with the line ministries/ departments and hence it is essential that environmental sustainability initiatives are mainstreamed across ministries/ departments and sectors. Such a mainstreaming will help shape attitudes and commitments of various department officials and actors. Since the annual budget process involves ministries/ departments from various sectors, and are regularly undertaken, the finance ministry/ department can lead the process of green budgeting in coordination with the environment ministry/ department and seek inputs from various ministries/ departments in terms of identifying environmental sustainability component in existing schemes (and perhaps bring in further innovations in existing schemes). The exercise will result in reflections by various ministries/ departments, on where they stand and how much resource is allocated. The mapping of themes, activities and SDGs will enable to identify gaps in existing approaches wherein they can seek to identify other sources of funding from domestic, international as well as private sources. In the long-run, governments (national/ state) can also undertake impact evaluation in terms of implementation, if tagged with, for instance, SDG indicators. Green Budgeting can provide deeper insights and pointers to policymakers and other stakeholders for environmental sustainability initiatives, resources available, and delivery reforms.

3. Principles

The broader approach for green budgeting is based on bottom-up scheme-based identification, accounting and planning on environmental sustainability components in various schemes. The policy innovation of green budgeting is based on the following four principles:

Principle 1: Green budgeting will follow a bottom-up process for self-assessment through identifying components of schemes that contribute to environmental sustainability.

Principle 2: Green budgeting exercise will align with public policy priorities of the government and to universal sustainable development goals related to environment in areas such as climate, water, energy, ecosystems, and responsible consumption and production.

Principle 3: Green budgeting exercise will seek to mainstream environmental sustainability by involving ministries/ departments and promotion of innovations within existing schemes/ budget-lines and existing fiscal space.

Principle 4: Green budgeting exercise will be mainstreamed through institutionalization of transparency and accountability of resource allocation for the environment.



4. Definition

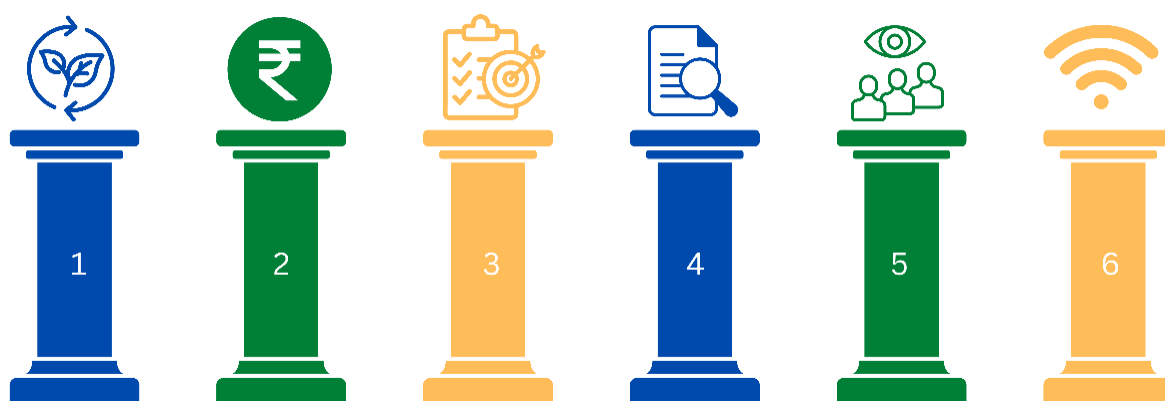
Green budgeting is a policy innovation that can serve as a tool to help in systematic mapping and tracking schemes, outlays, and expenditures which, in turn, can support innovations in existing schemes and identification of periodic and continuous finance needs to achieve green objectives, i.e., those relating to the climate and environmental dimensions. A working definition is given below:

Every year, key ministries/ departments contribute to preparing the Green Budget, to specify schemes involving environmental sustainability components, and estimate the quantity of public expenditure in the annual budget for these purposes.

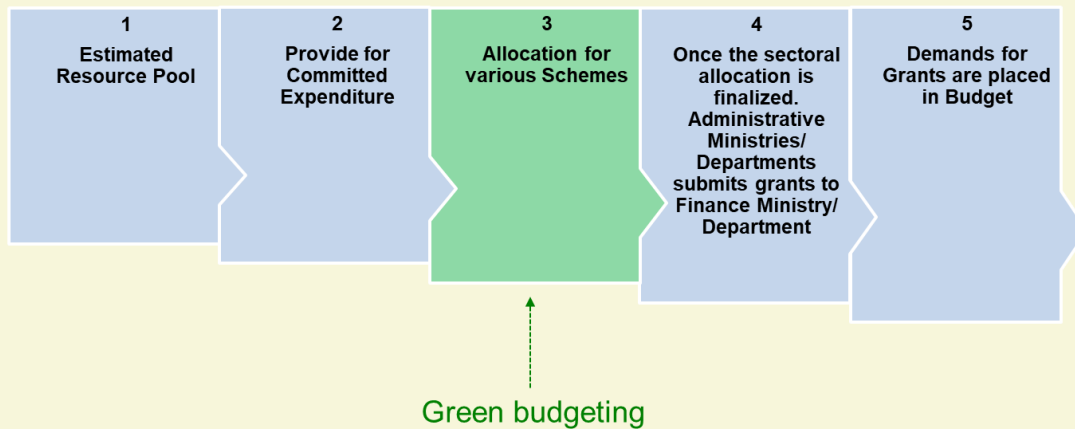
5. Outcomes

Green budgeting is envisaged to have six pillars with corresponding outcomes as depicted in the table below.

Pillar	Outcome
Pillar 1: Mainstreaming environmental sustainability through self-assessment	Self-assessment of environmental components in existing schemes
Pillar 2: Resource allocation for environmental sustainability	Increase in resources allocated for environmental sustainability through innovations within the existing schemes and fiscal space
Pillar 3: Planning and coordination for environmental sustainability	Planning for and factoring environmental sustainability within existing schemes
Pillar 4: Evaluation and monitoring for environmental sustainability	Reporting and monitoring of output and outcome indicators
Pillar 5: Transparency and accountability for environmental sustainability	Availability of information to public on various initiatives on environmental sustainability
Pillar 6: Policy signals for greening initiatives	Change in attitudes of other actors including civil society and business & industry



6. Framework for Green Budgeting



Green budgeting can be **scheme-based**



- Quantification of resources allocated by various ministries/ departments for environmental sustainability in absolute terms and in terms of percentage of total scheme budgets
- Identification of components, themes and activities contributing to environmental sustainability within existing schemes



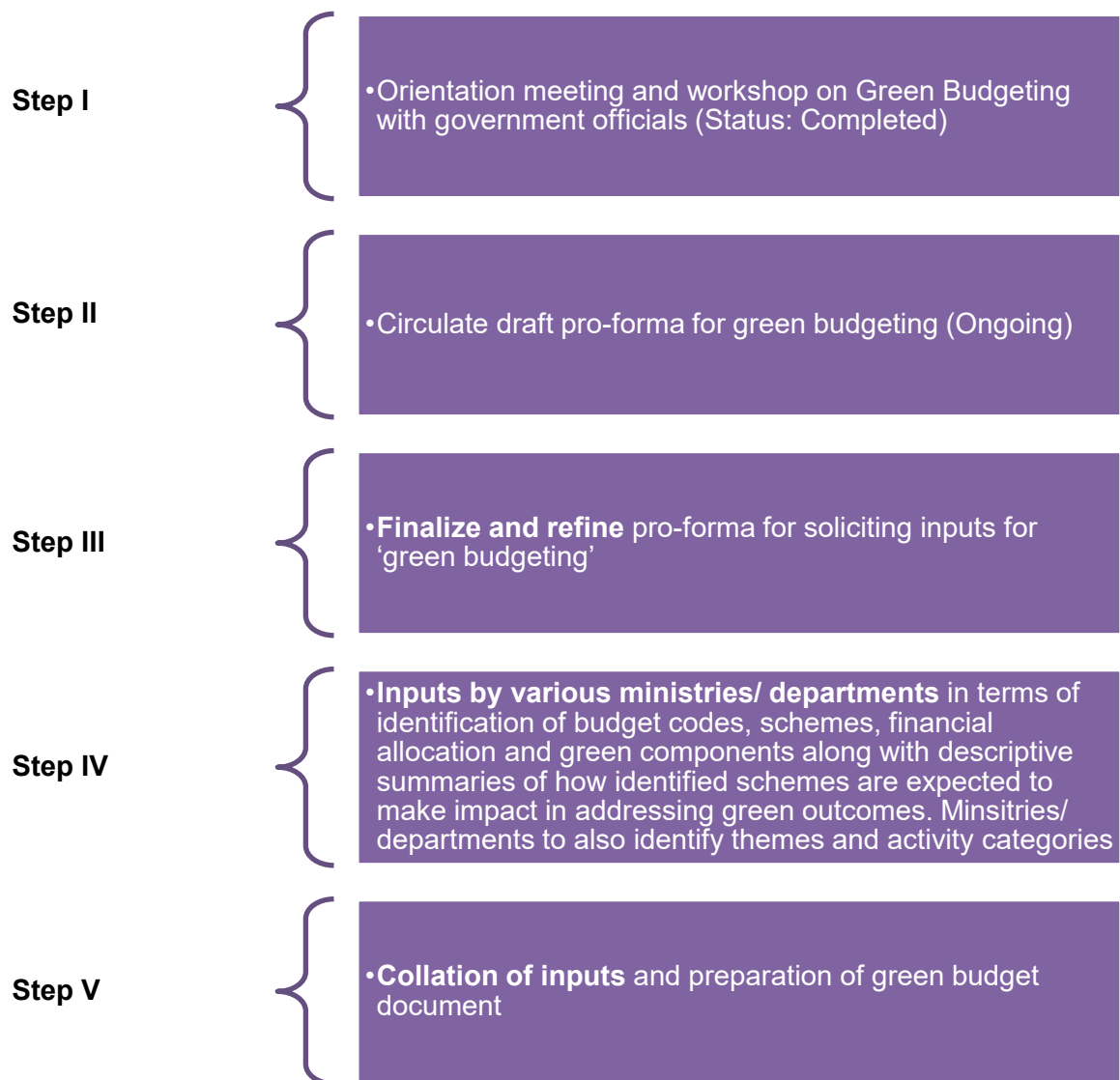
- Innovations within existing schemes to have a stronger component of environmental sustainability
- Identification of gaps and further innovations within departmental mandates



- Improved performance in environment-related output indicators and outcome indicators over time.

7. Process

Green budgeting would involve a simple five-step process as depicted in the figure below. The process can be facilitated by the Finance Ministry/ Department and the Ministry/ Department of Environment.



8. Experiences of Green Budgeting

BIHAR

The Green Budget increased from ₹3,308 crore in 2020–21 to ₹15,588 crore in 2025–26, reflecting a 4.5-fold rise.

The total number of schemes expanded from 103 in 2020–21 to 337 in 2025–26, showing a threefold increase. The data highlights both a scale-up in financial allocation and a significant broadening of programme coverage over the five-year period.

Approach

- *Identification of Schemes:* All departmental schemes with potential environmental linkages are mapped for inclusion.
- *Green Components:* Specific environmentally relevant elements within these schemes are isolated for focused tracking.
- *Justification:* Departments provide clear reasoning for why a component is classified as “green,”. Mapping of themes, activities and environmental SDGs have also been undertaken.
- *Rio Marker Methodology:* Schemes are categorised by degree of green significance (fully dedicated to marginal), enabling quantification and prioritisation.

Resource: Click [here](#)

ASSAM

The Green Budget increased from ₹2,314.1 crore in 2023–24 to ₹3,711 crore in 2025–26, reflecting a 1.6-fold rise.

The total number of schemes expanded from 29 in 2023–24 to 173 in 2025–26, showing a sixfold increase. The data highlights both a scale-up in financial allocation and a broadening of programme coverage over the period.

Approach

- *Identification of Schemes:* All departmental schemes with potential environmental linkages are systematically mapped.
- *Green Components:* Environmentally relevant elements within these schemes are identified for targeted assessment.
- *Justification:* Departments provide clear justification for classifying components as “green,” ensuring transparency. Mapping of domains and sub-domains have also been undertaken.
- *Categorisation:* Schemes are classified as Highly Favourable, Moderately Favourable, Neutral, or Less Favourable, allowing prioritisation and better tracking of green outcomes.

Resource: Click [here](#)

PUDUCHERRY

The Green Budget increased from ₹190.81 crore in 2022–23 to ₹689.64 crore in 2025–26 (BE), reflecting a 3.6-fold rise.

The data highlights both a scale-up in financial allocation and a broadening of programme coverage over the period.

Approach

- *Identification of Schemes:* All departmental schemes with potential environmental linkages are mapped for inclusion.
- *Green Components:* Specific environmentally relevant elements within these schemes are identified for systematic tracking.
- *Justification:* Departments provide reasoning for why a component qualifies as “green,” strengthening accountability.
- *Mapping:* Schemes are mapped against activity, theme, and SDGs to align fiscal priorities with environmental goals.

Resource: Click [here](#)

Annexures

ANNEXURE 1: EXAMPLES OF THEMES FOR GREEN BUDGETING (ILLUSTRATIVE ONLY)

#	Theme	Description	Example
1.	Pollution Abatement	The budgeted activity should be related to the regulation of pollution (such as air and water) and improvement of air and water quality.	Pollution control and monitoring practices, switching to cleaner transport
2.	Waste Management	The budgeted activity should be related to effectively managing waste (such as municipal, industrial, agricultural or chemical) so that it leads to a cleaner environment.	Common effluent treatment plant, waste recycling facility, waste-water treatment
3.	Biodiversity and Ecology	The budgeted activity should be related to preservation and conservation of forests, wildlife, land, natural resources, and propagation of indigenous activities.	Wildlife conservation, afforestation programmes
4.	Climate Action	The budgeted activity should be related to either mitigating or adapting to the impacts of climate change.	climate change adaptation and mitigation
5.	Sustainable Land Use	The budgeted activity should be related to sustainable and environment-friendly use of land, either in rural or urban context.	Planting trees along roadside, agroforestry
6.	Sustainable Agriculture and Fisheries	The budgeted activity should be related to sustainable practices in traditional agricultural activities and the allied sectors such as fisheries or horticulture.	Organic farming, integrated farming system
7.	Sustainable and Eco-Tourism	The budgeted activity should be related to sustainable and eco-friendly practices to promote tourism, as well as ensure sustainable tourist activities.	Establishing zoo safari, constructing toilets for tourists
8.	Water Management	The budgeted activity should be related to the efficient and sustainable use of water, ensuring access to clean water for all purposes.	Renovation of wells, rainwater harvesting
9.	Sustainable Energy	The budgeted activity should be related to the use and promotion of clean energy sources such as solar energy.	Installation of solar panels, renewable energy
10.	Sustainable Consumption and Production	The budgeted activity should be related to responsible consumption and production practices based on reducing, reuse, and recycling to avoid wastage.	Construction of road using waste plastic

ANNEXURE 2: EXAMPLE OF ACTIVITIES FOR GREEN BUDGETING (ILLUSTRATIVE ONLY)

#	Activity Category	Description	Example
1.	Programme implementation	Any budgeted activity which contributes directly to on-ground implementation which results in physical outcomes.	Asset creation through public works
2.	Institutional capacity building	Any budgeted activity which contributes to enhancing the capacity of the institutional processes.	Training and capacity building of ministries/ departments to better carry out integration of environment in planning and implementation
3.	Skilling	Any budgeted activity which contributes to increasing the capacities and expertise of human capital for better implementation.	Training and skilling of beneficiaries
4.	Technology and infrastructure	Any budgeted activity which contributes to deployment of clean/ environmental technologies and sustainable infrastructure	Clean technology deployment (Common-effluent treatment plant, recycling unit, solar rooftop, green building)
5.	Education and awareness	Any budgeted activity which contributes to increasing awareness and knowledge through formal education and other information/ communication channels	IEC and formal education curriculum
6.	Regulation and enforcement	Any budgeted activity which contributes to regulating and enforcing various acts, rules, and policy notifications	Pollution control norms, waste management norms, bans
7.	Subsidies	Any budgeted activity which contributes to incentivising environmentally sustainable activities	Subsidies for renewable energy technologies
8.	Risk management	Any budgeted activity which contributes to mitigating of risks related to adoption of environmental/ clean energy initiatives or risks arising from environmental externalities including climate extremes	Crop insurance, partial risk guarantee
9.	Information instruments	Any budgeted activity which contributes to informing decisions based on information about goods and services on environmental parameters	Eco-labels, standards
10.	Research and development	Any budgeted activity which contributes to developing technologies, innovations, and knowledge in the domain of sciences, applied sciences, social sciences and interdisciplinary approaches	Support agricultural universities and KVKs
11.	Sustainable public procurement	Any budgeted activity which contributes to purchasing of products and goods and for giving markets to promote environmentally sustainable goods and services	Bulk scheme for procuring LEDs and energy efficient appliances
12.	Investment	Any budgeted activity which contributes to opportunities that has a potential to generate economic returns in terms of revenue or profits	Metro rail

ANNEXURE 3: EXAMPLE OF SDG MAPPING OF GREEN BUDGET (ILLUSTRATIVE ONLY)

#	Ministry/ Department	SDGs									
1.	Agriculture										
2.	Animal and Fisheries										
3.	Building/ Housing										
4.	Education										
5.	Energy										
6.	Environment										
7.	Health										
8.	Industries										
9.	Information and Public Relations										
10.	Water Resources										
11.	Public Health and Engineering										
12.	Road Construction										
13.	Rural Development										
14.	Rural Works										
15.	Tourism										
16.	Transport										
17.	Urban Development										

Primer and Playbook on Green Budgeting

While environmental regulation is the principal responsibility of environmental ministries/ departments, the mandate for implementation lies with the line ministries/ departments and hence it is essential that environmental sustainability initiatives are mainstreamed across the system. Such a mainstreaming will help shape attitudes and commitments of various department officials and actors.

Green budgeting can be seen as a tool that aids policymaking through systematic mapping and tracking schemes, outlays, and expenditures which, in turn, can support coordinated policy design and identification of periodic and continuous finance needs to achieve green objectives. Since the annual budget process involves ministries/ departments from various sectors, and are regularly undertaken, environmental sustainability consideration can help in bringing further innovations in existing schemes.

This resource provides guidance on green budgeting in terms of the concept, rationale and method. The primer can be used by government officials, including officials in charge of budget cells, research & academia, civil society, and any other stakeholders who wish to engage on this policy innovation.

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