



# Green Budgeting in the EU

**HP4 Workshop:** Using Green Budgeting to Strengthen the Alignment of Public Financial Flows with Climate and Environmental Objectives

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3 June 2024

# Outline

- Context
- EU Green Budgeting Reference Framework
- EC Green Budgeting Training
- Where next?

# Context

# European Commission and green budgeting

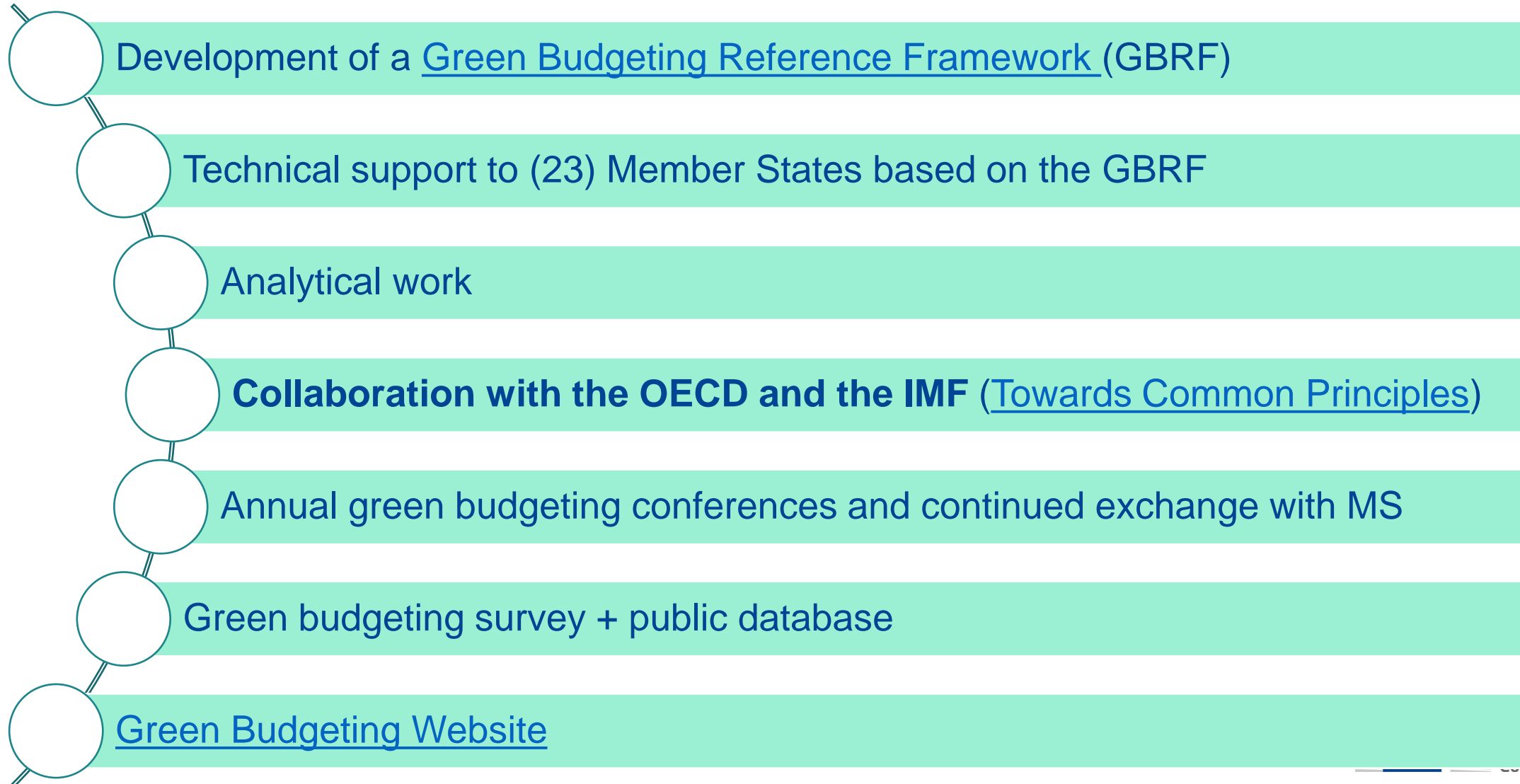
## Mandate from the European Green Deal (2019)

National budgets play a key role in the transition. A greater use of green budgeting tools will help to redirect public investment, consumption and taxation to green priorities and away from harmful subsidies. The Commission will work with the Member States to screen and benchmark green budgeting practices. This will make it easier to assess to what extent annual budgets and medium-term fiscal plans take environmental considerations and risks into account, and learn from best practices. The review of the European economic governance framework will include a reference to green public investment in the context of the quality of public finance.

**Source:** Communication on The European Green Deal [EUR-Lex - 52019DC0640 - EN - EUR-Lex \(europa.eu\)](#)



# Commission work on Green Budgeting



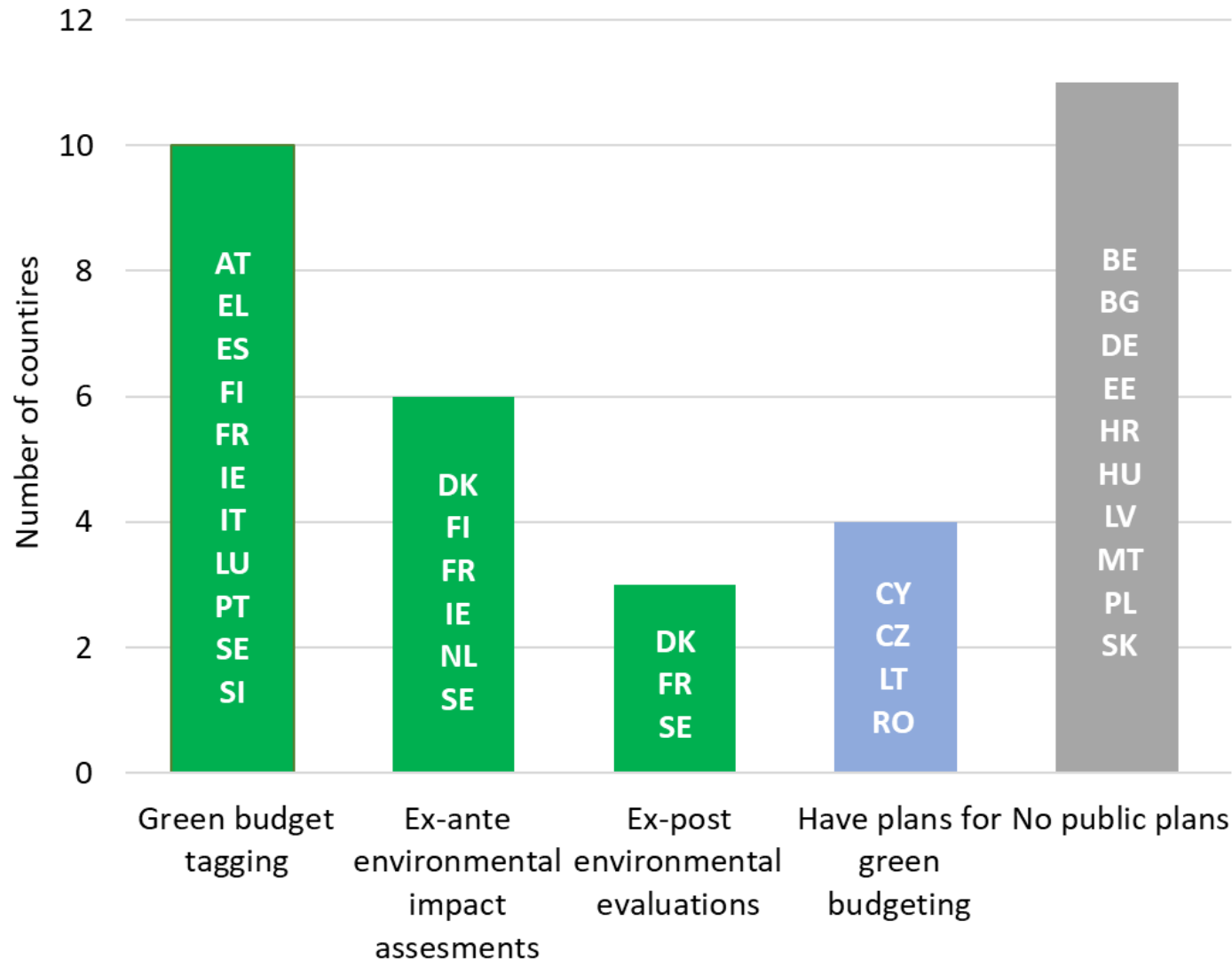
# Green Budgeting definition

*‘Green budgeting means using the tools of budgetary policy-making to help achieve environmental goals.’ (OECD)*

*‘A budgetary process whereby the **environmental contributions of budgetary items** are **identified** and **assessed** with respect to specific performance indicators, with the objective of better aligning budgetary policies with **environmental goals**.’ (Commission)*

*In other words: **Green budget tagging** + **(environmental) ex-ante impact assessments & ex-post evaluations***

# Green Budgeting practices in the EU



**Source:** [2023 European Commission survey on green budgeting](#) & recent developments

# EU Green Budgeting Reference Framework (GBRF)

Country examples: [Annex 1](#)



# EU Green Budgeting Reference Framework

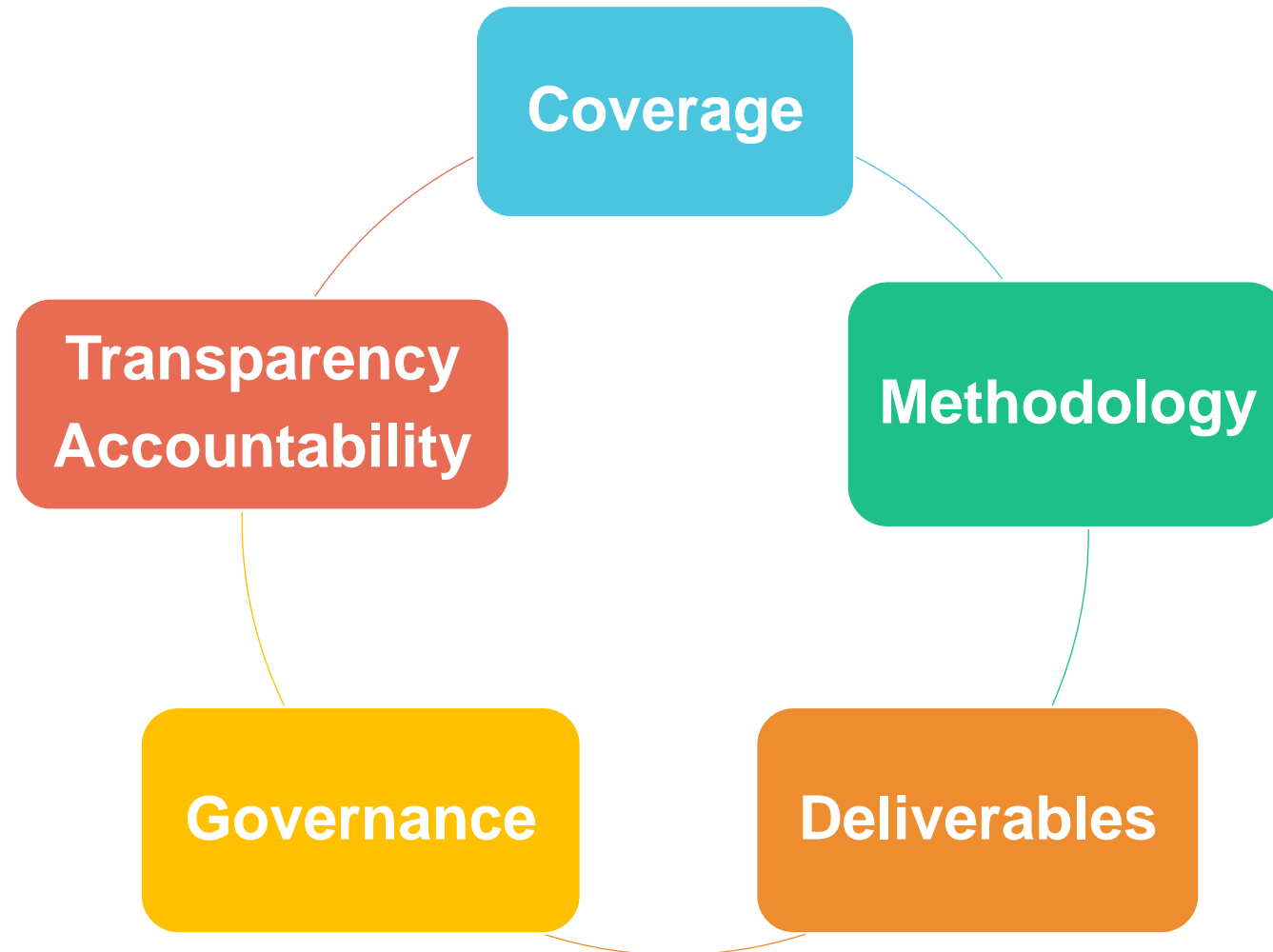
## Purpose

- Support Member States embarking in green budgeting or willing to improve existing practices
- Provide a reference for monitoring practices by the Commission

## Main features

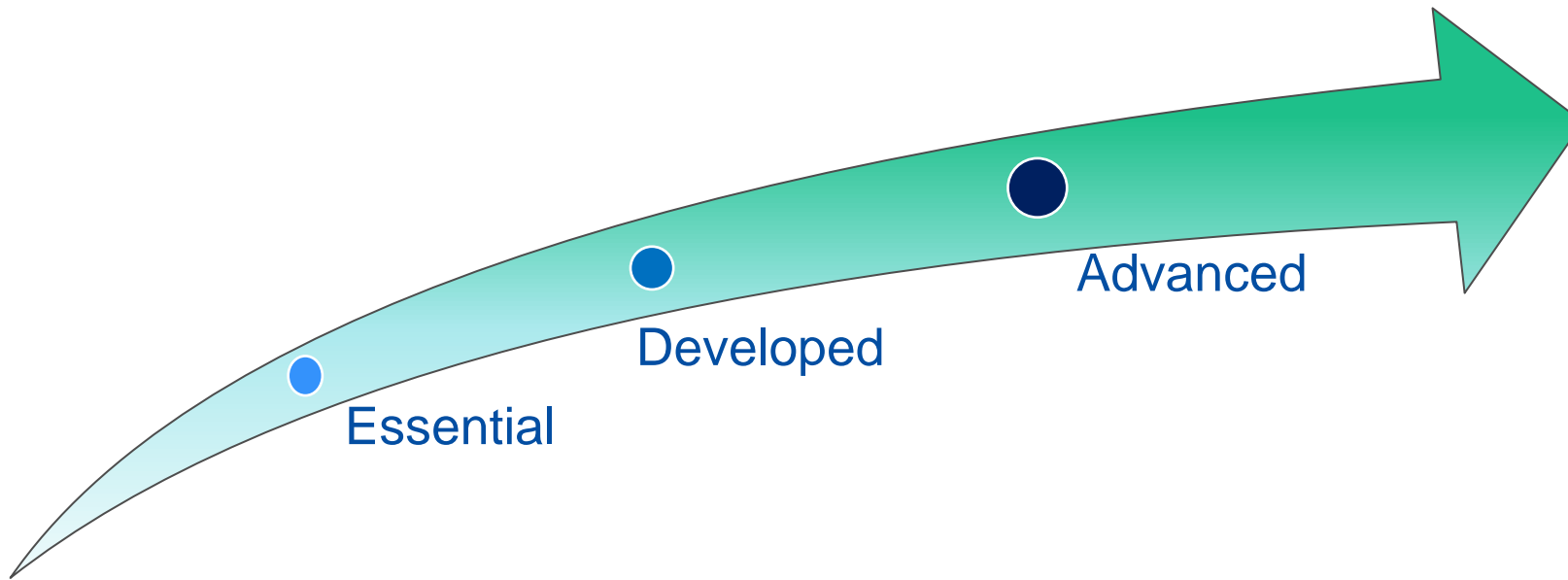
- Builds on existing good practices of
  - Public financial management
  - GB methods across the EU
- No 'one-size-fits-all' model
- Consistency of practices across the EU
- Applicable also outside the EU (e.g., South Korea)

# EU Green Budgeting Reference Framework



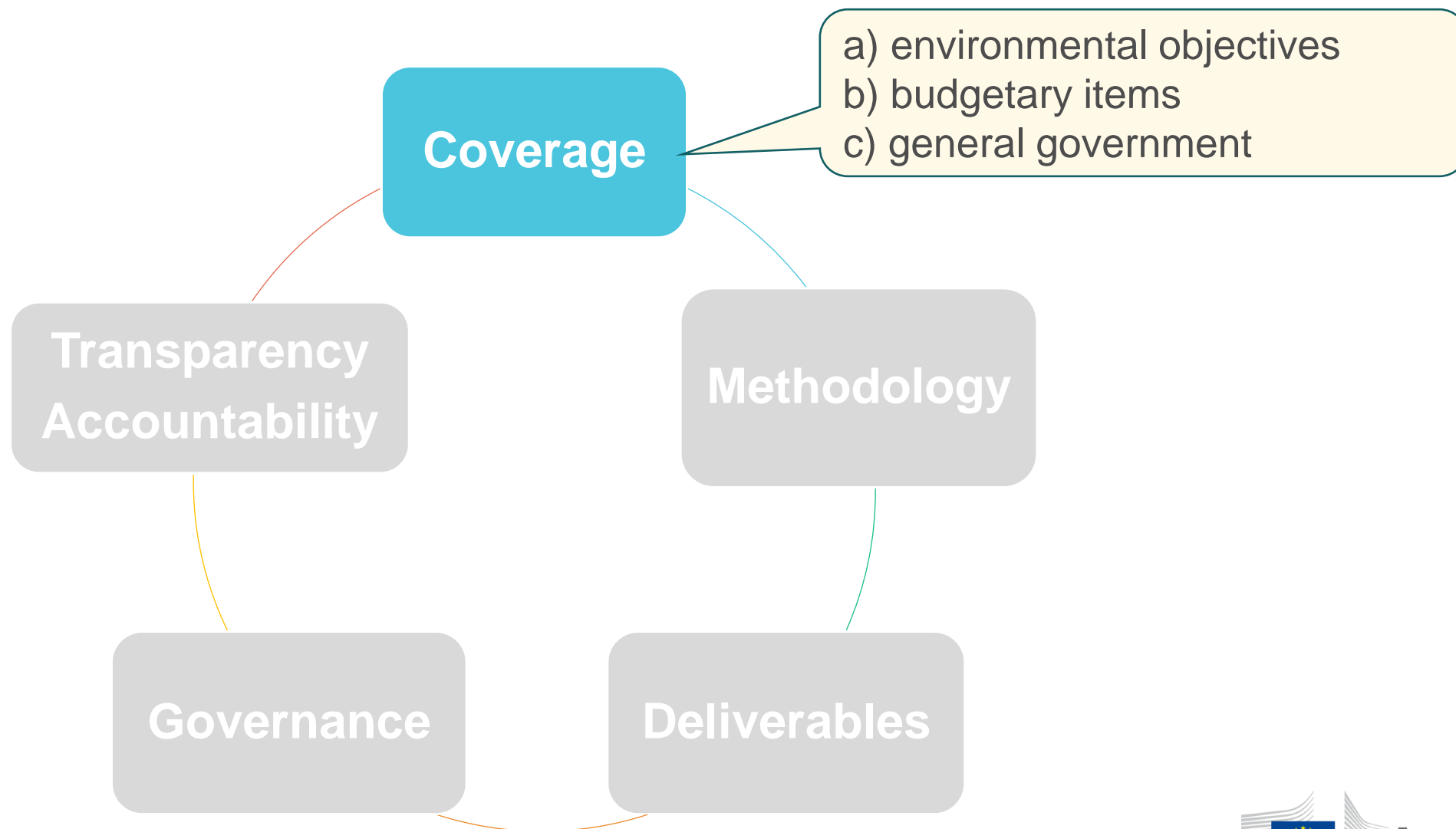
# A phased approach

**3 levels of development** (applicable to each of the 5 key elements)



To allow **flexibility** in the development of national practices, given differences in budgetary approaches

# EU Green Budgeting Reference Framework

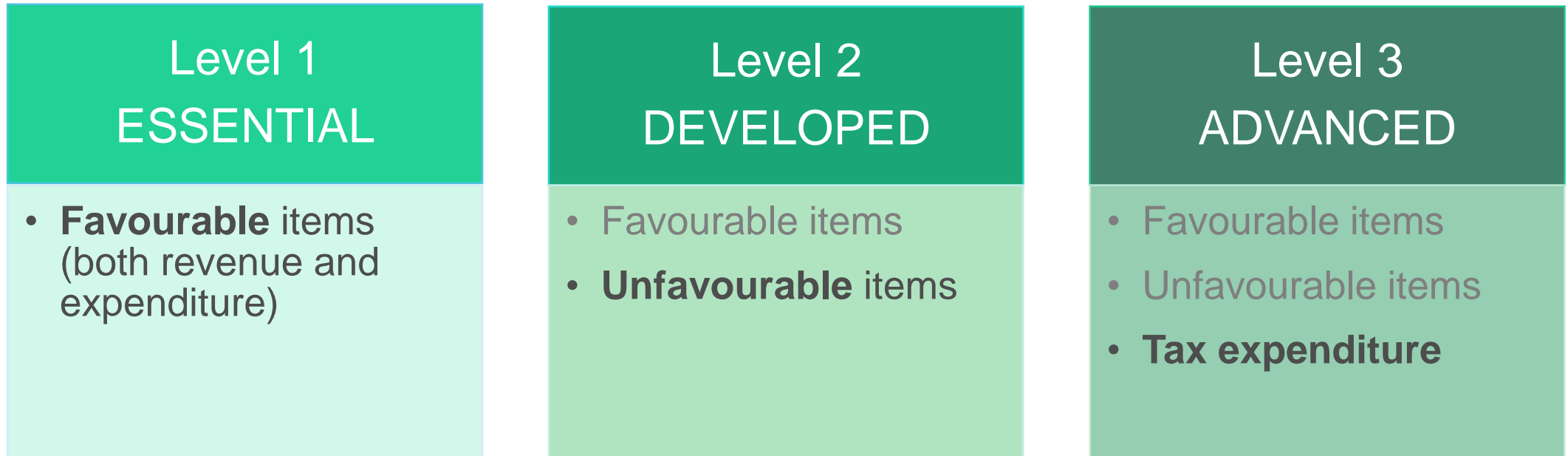


# 1. Coverage: Environmental objectives



- Several countries capture all 6 environmental objectives of the [EU Taxonomy for Sustainable Activities](#) (climate change mitigation & adaptation, water, circular economy, pollution, biodiversity)

# 1. Coverage: Budgetary items



- **Unfavourable items:** avoid doing good with one hand and undoing it with the other ➔ more coherent ‘policy package’.
- More and more countries capture also unfavourable items.
- Only few cases cover tax expenditure.

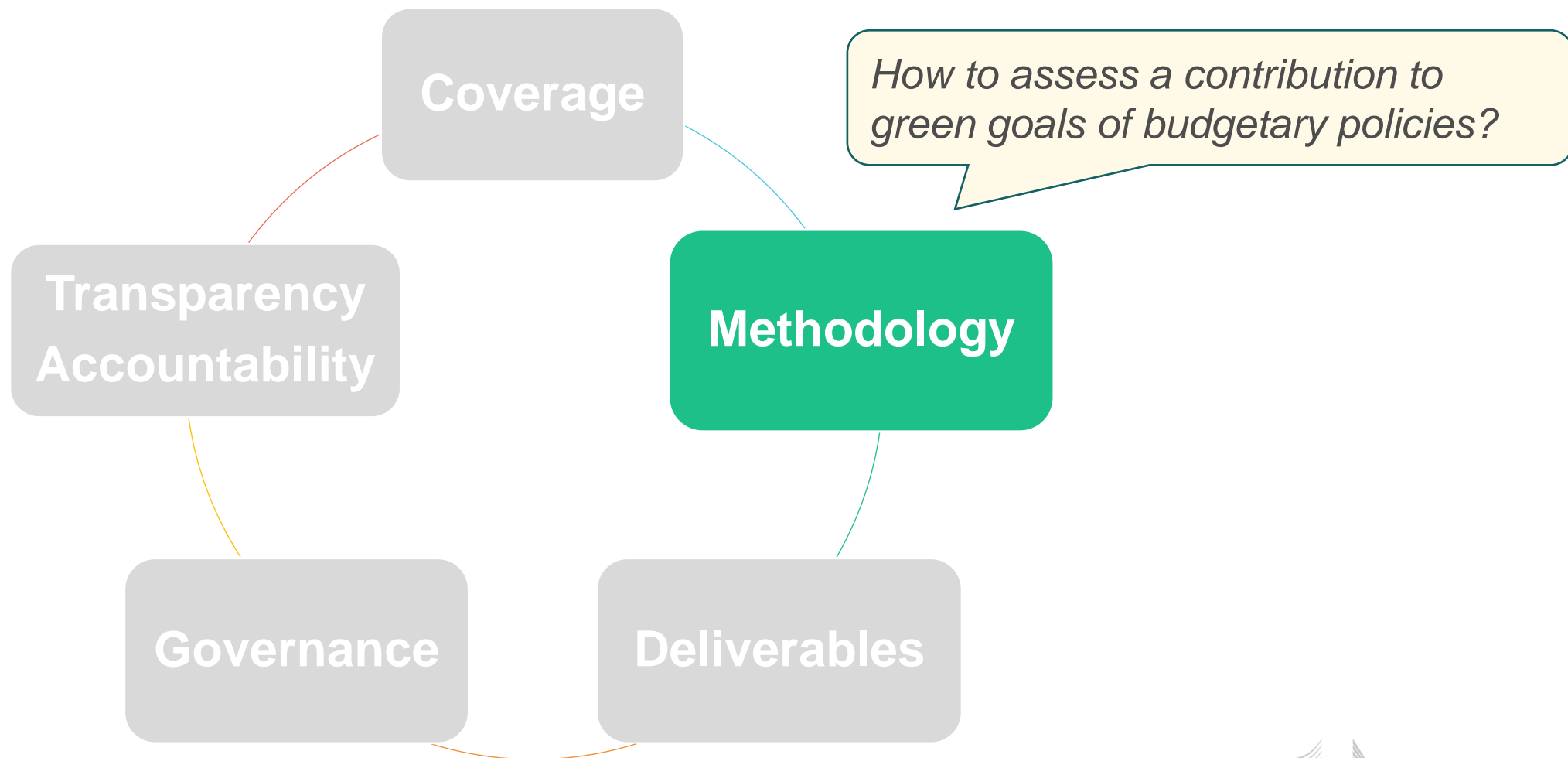


# 1. Coverage: General government

Level 1 ESSENTIAL	Level 2 DEVELOPED	Level 3 ADVANCED
<ul style="list-style-type: none"><li>• <b>Central-government</b></li></ul>	<ul style="list-style-type: none"><li>• Central-government</li><li>• <b>Sub-national governments</b></li></ul>	<ul style="list-style-type: none"><li>• Central-government</li><li>• Sub-national governments</li><li>• <b>Other</b> (e.g. State-owned enterprises)</li></ul>

- In practice, mostly limited to the central government.

# EU Green Budgeting Reference Framework



## 2. Methodology

### Level 1 ESSENTIAL

- (Simple) **Tagging methodology**

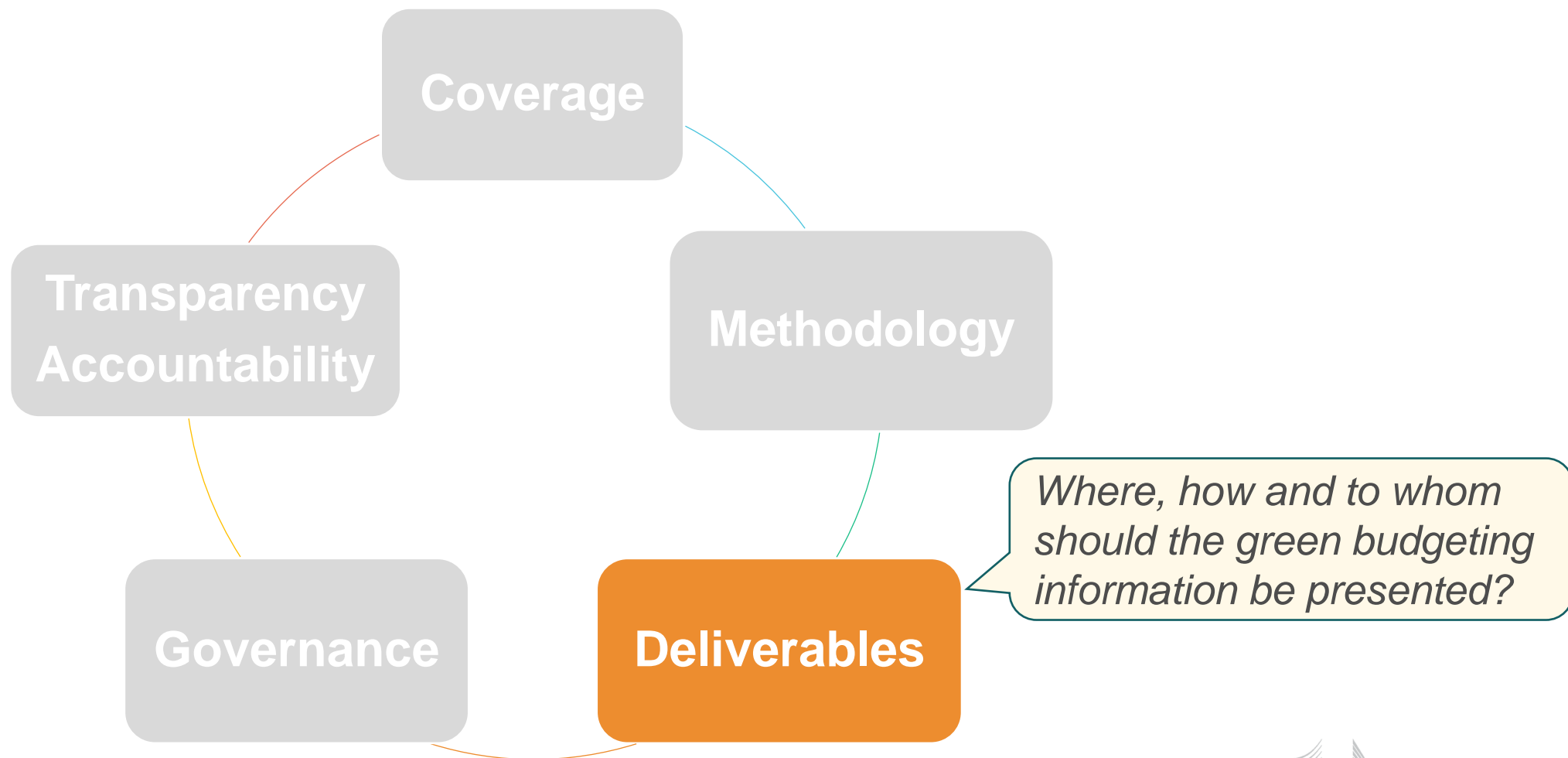
### Level 2 DEVELOPED

- **Tagging methodology**

### Level 3 ADVANCED

- Tagging methodology
- ***Ex-ante* impact assessment of policies**
- ***Ex-post* evaluation of policies**

# EU Green Budgeting Reference Framework

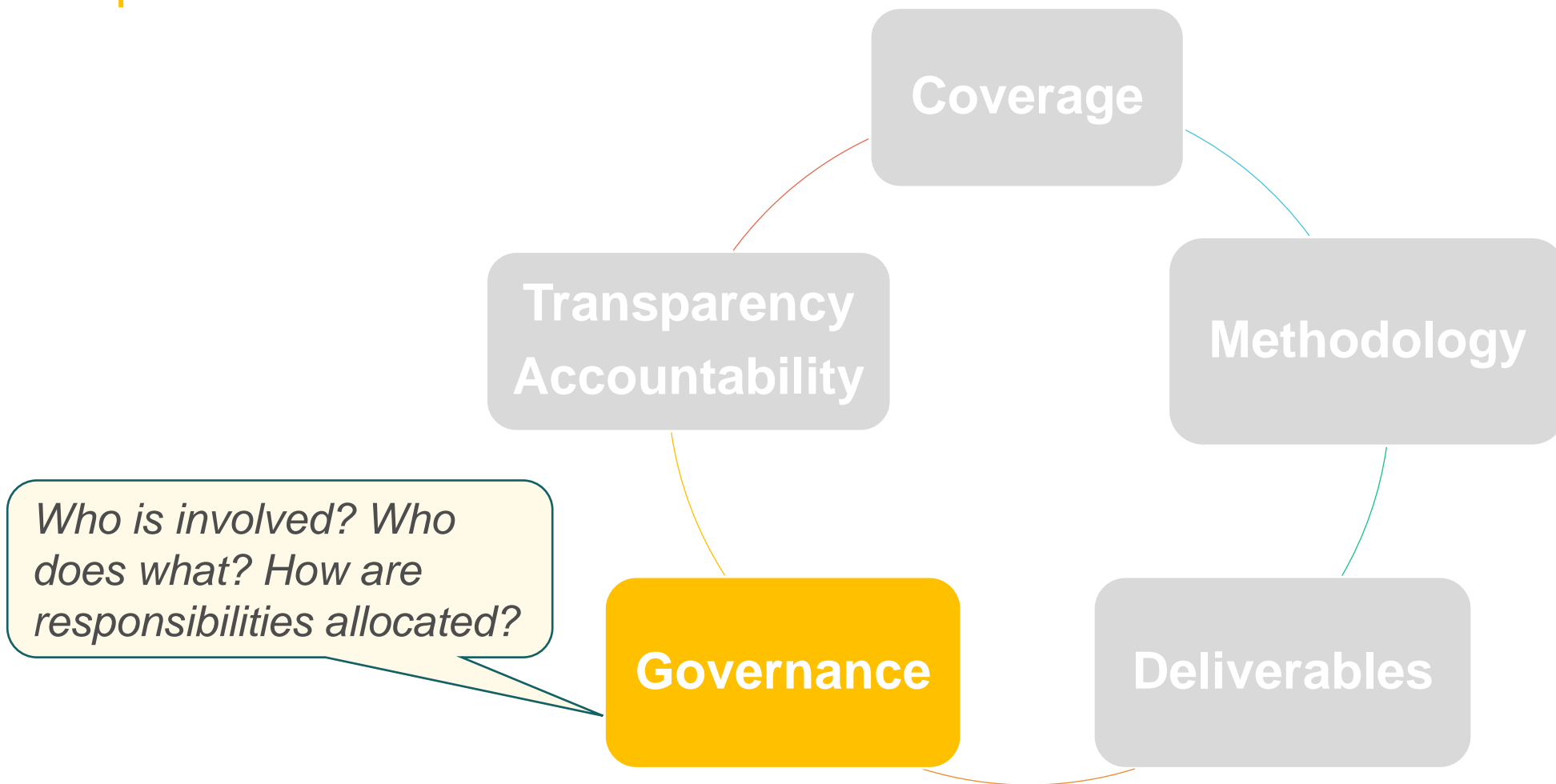


### 3. Deliverables

Level 1 ESSENTIAL	Level 2 DEVELOPED	Level 3 ADVANCED
<ul style="list-style-type: none"><li>• Presentation in <b>annual budget</b></li><li>• Presentation in <b>execution report</b></li></ul>	<ul style="list-style-type: none"><li>• Presentation in annual budget</li><li>• Presentation in execution report</li><li>• Presentation of estimates in <b>multi-annual plans</b></li></ul>	<ul style="list-style-type: none"><li>• Presentation in annual budget</li><li>• Presentation in execution report</li><li>• Presentation of estimates in multi-annual plans</li><li>• <b>Extra-budgetary entities reports</b></li></ul>

A legal/administrative document should detail the content and calendar for deliverables.

# EU Green Budgeting Reference Framework





## 4. Governance

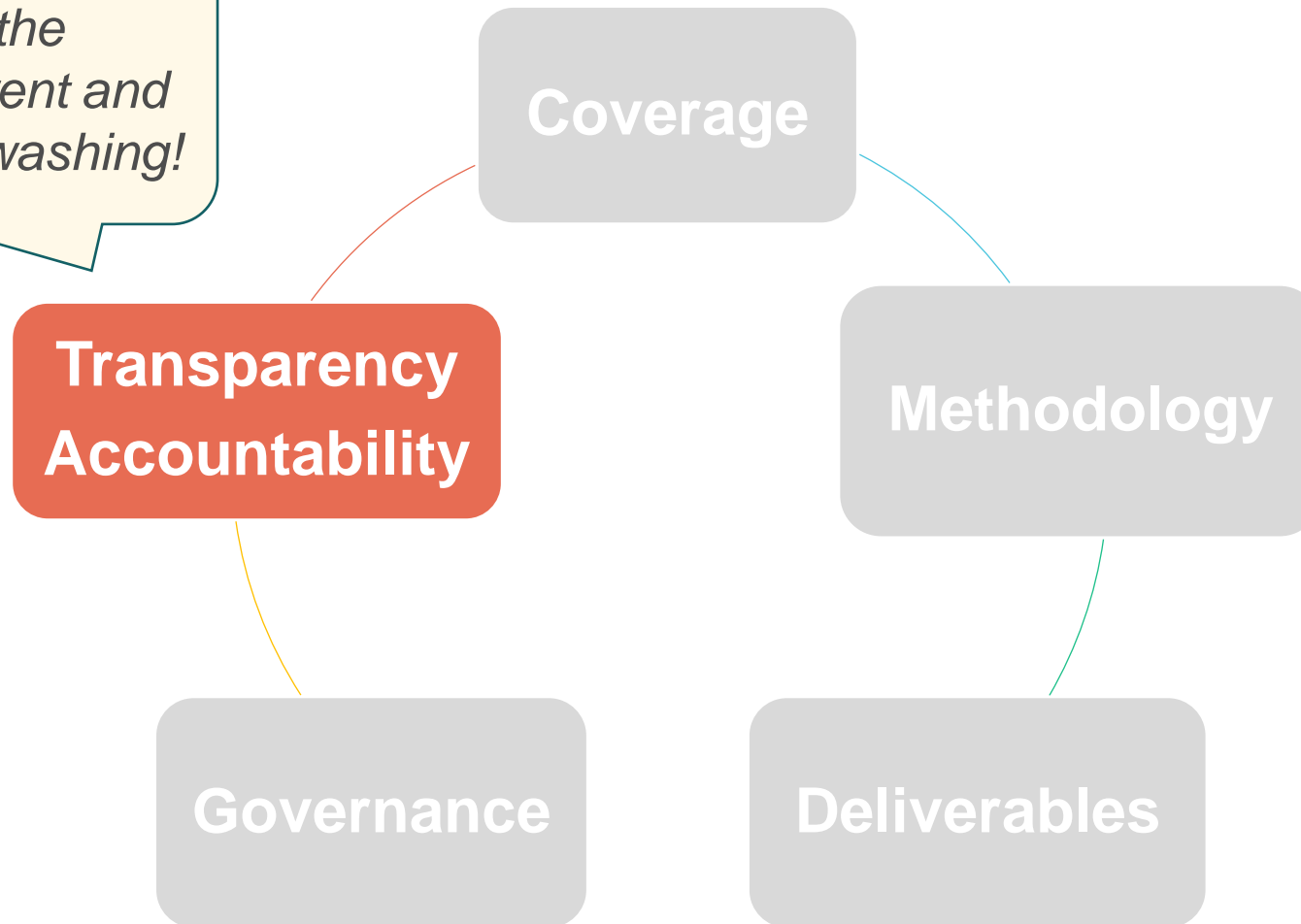
- Roles and responsibilities, timeline, deliverables clearly specified



- Leadership assigned to the authority coordinating the budgetary process (MoF)

# EU Green Budgeting Reference Framework

*What ensures that the process is transparent and open? – no green washing!*



# 5. Transparency and accountability

## Level 1 ESSENTIAL

- **All deliverables public**
- **Independent evaluation of methodology**

## Level 2 DEVELOPED

- All deliverables public
- Independent evaluation of methodology
- **Independent evaluation of deliverables**
- **Parliamentary discussion**

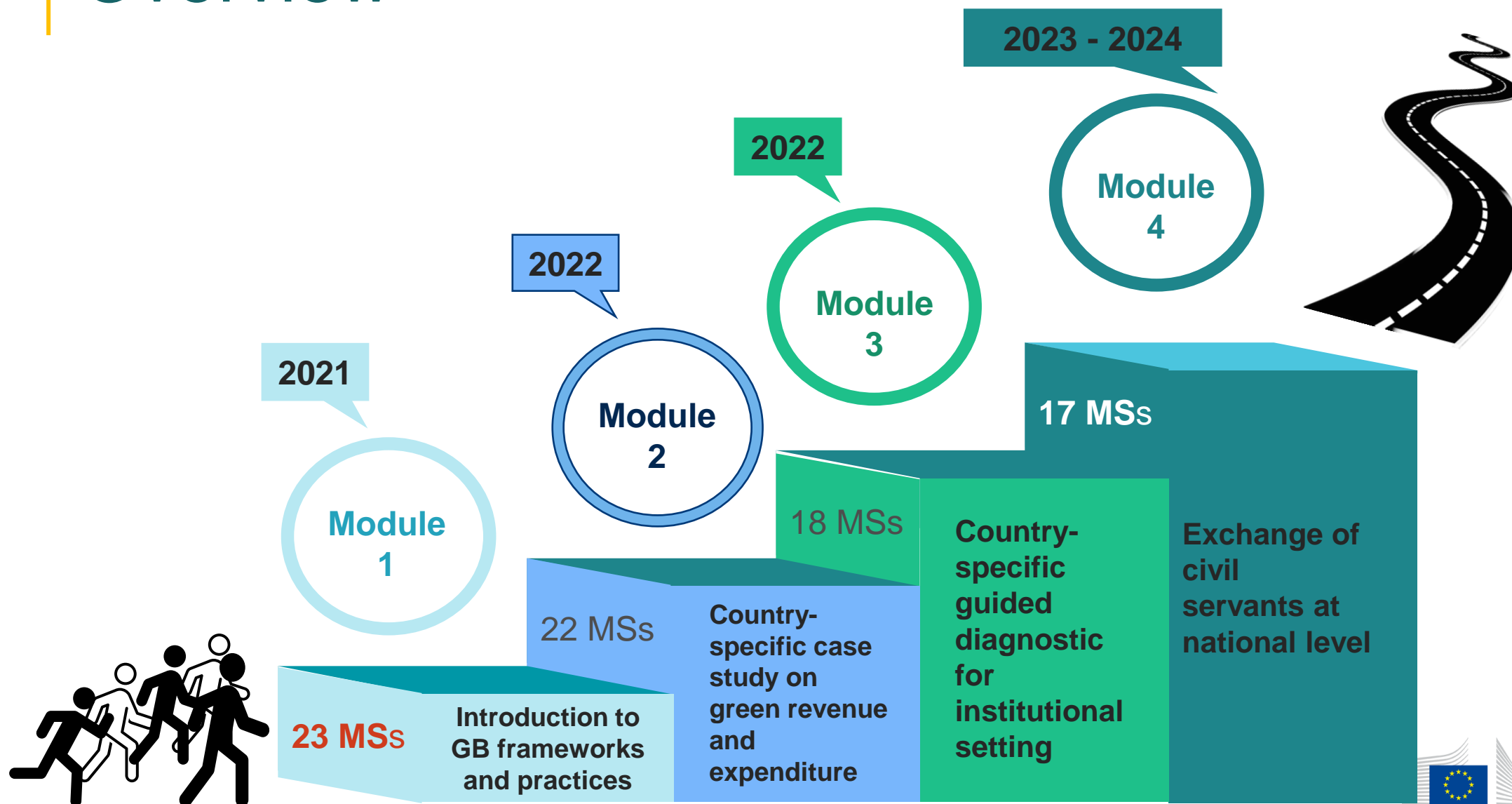
## Level 3 ADVANCED

- All deliverables public
- Independent evaluation of methodology
- Independent evaluation of deliverables
- Parliamentary discussion
- ***Ex-post* review**

# EU Green Budgeting Training

Technical Support Instrument: Directorate-General for Structural  
Reform Support

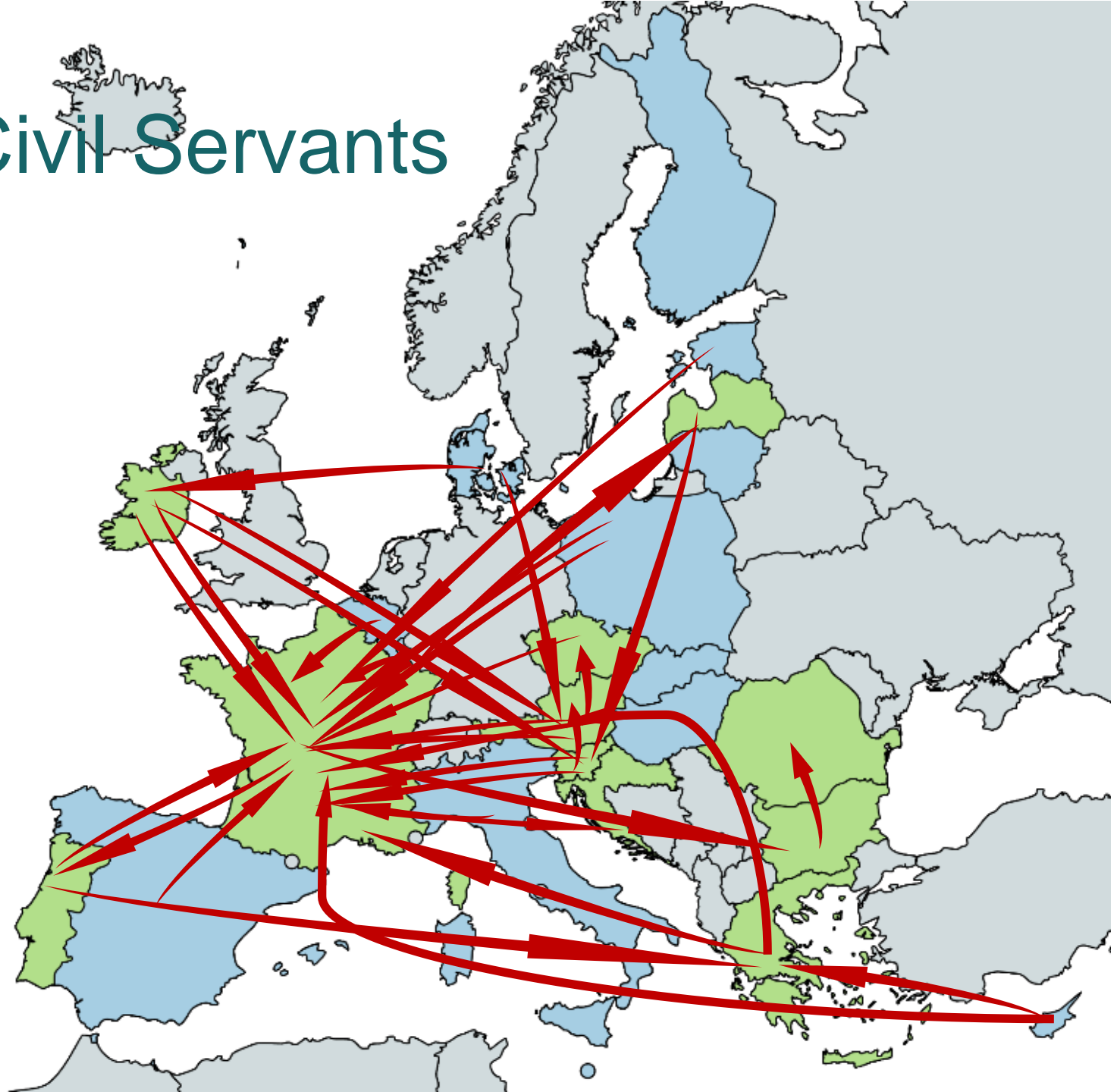
# Overview



# 15 Exchanges of Civil Servants

Hosting countries (green)	Number of exchanges	Number of countries visiting
Greece	2	2
Slovenia	2	2
France	2	7 +11
Portugal	1	1
Romania	1	2
Czechia	1	1
Croatia	1	1
Austria	2	4
Ireland	1	1
Bulgaria	1	1
Latvia	1	1

[Video: Supporting the implementation of green budgeting practices in EU - European Commission](#)





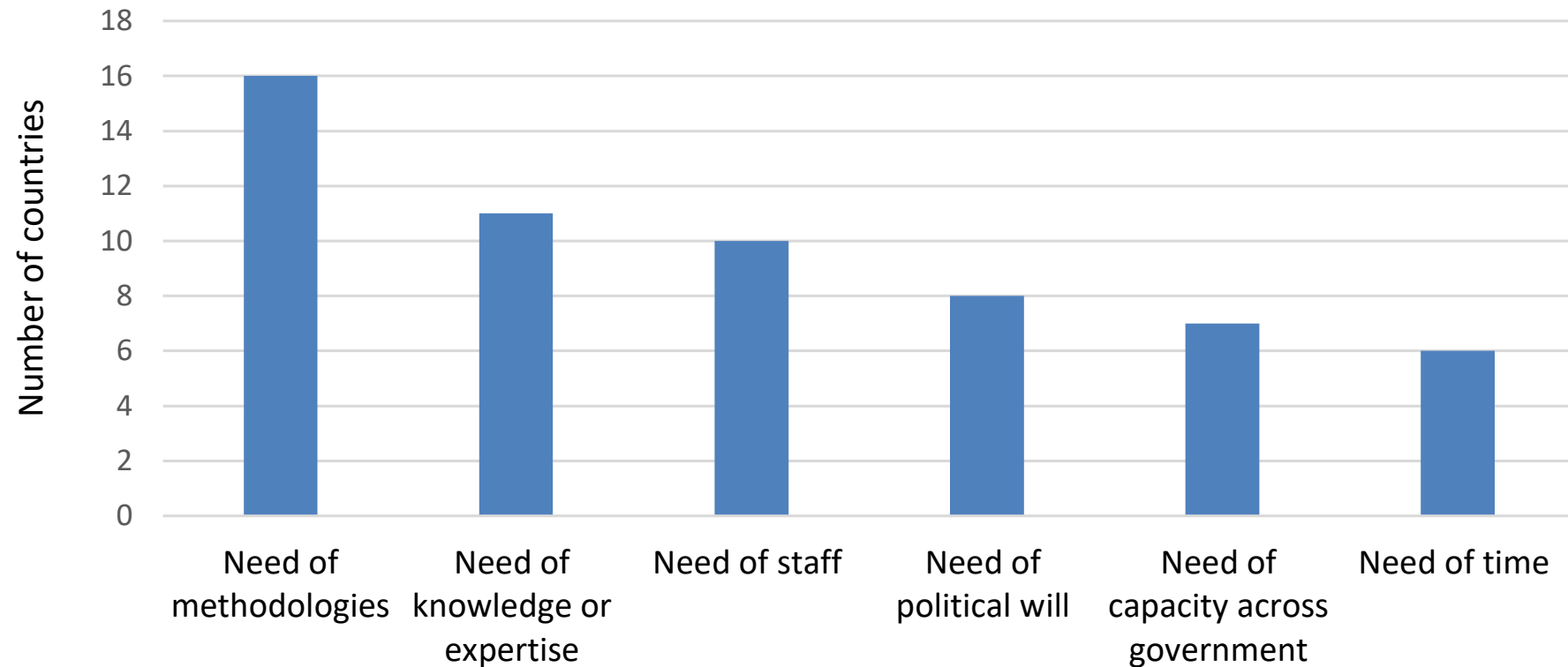
# Achievements



Where next?

# Key challenges in the EU

**... to introduce and/or implement green budgeting**



**Source:** 2023 European Commission survey on green budgeting

# Challenges and possible collaborative work

- Tagging 'uncertain' items >> Continued collaborative work between MoFs.
- Input vs. impact: lack of (easy to use) impact indicators & modeling. (HP2)
- Integrating GB in the budget process [[Annex 2](#)]: GB a decision-making tool.
- Linking GB with other green tools (Green Bonds, DNSH, phasing out EHS)  
>> Joint work ongoing (Commission & EU MS): *'Green Budgeting in the EU - a coherent approach for improved policy making'*.
- Linking national development plans and strategies with the (multi-)annual budget process. (HP2)

# Why working together?

- Similar challenges.
- Exchange (on) and learn (from) best practices & ‘best’ mistakes.
- *“Alone we can do [so] little;*

*together we can do so much.”*

*[Helen Keller]*

# Thank you!

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# Annex 1:

## GBRF country examples

# 1. Coverage of environmental objectives: EU Taxonomy objectives



**Countries examples:** Austria, France, Greece, Ireland, Spain

## 2. Methodology: France (1/2)

Détail des classifications environnementales

Crédits budgétaires	Exec. 20	LFI 21	PLF 22	Climat (atténuation) Climat (adaptation) Eau Déchets Pollutions Biodiversité
P159 Etudes et expertise en matière de développement durable	213,2 M€	192,4 M€	189,0 M€	● ● ● ● ● ●
P642 Exploitation et innovation de la Navigation aérienne	269,0 M€	331,9 M€	337,8 M€	● ● ● ● ● ●
P203 Ferroviaire	2 437,0 M€	2 466,0 M€	2 564,2 M€	● ● ● ● ● ●
P161 Fonds de prévention des risques naturels majeurs	137,0 M€	205,0 M€	235,0 M€	● ● ● ● ● ●
P345 Frais divers	50,7 M€	72,4 M€	117,5 M€	● ● ● ● ● ●
P181 Gestion de l'après-mine et travaux de mise en sécurité,	35,5 M€	39,8 M€	40,3 M€	● ● ● ● ● ●
P113 Gestion des milieux et biodiversité	177,6 M€	218,9 M€	232,2 M€	● ● ● ● ● ●
P159 Gouvernance, évaluation, études et prospective en matière de développement durable	13,6 M€	15,2 M€	15,2 M€	● ● ● ● ● ●

1. Scrutiny of **entire budget**

2. Classification by **each environmental objective** (3 shades of green + non-classified)

Source: [Rapport impact environnemental budget Etat 2022.pdf \(economie.gouv.fr\)](#)

## 2. Methodology: France (2/2)

Détail des classifications environnementales

Crédits budgétaires	Exec. 20	LFI 21	PLF 22	Climat (atténuation)	Climat (adaptation)	Eau	Déchets	Pollutions	Biodiversité	Classificatio
P159 Etudes et expertise en matière de développement durable	213,2 M€	192,4 M€	189,0 M€	●	●	●	●	●	●	Favorable
P642 Exploitation et innovation de la Navigation aérienne	260,0 M€	331,9 M€	337,8 M€	●	●	●	●	●	●	Défavorable
P203 Ferroviaire	2 437,0 M€	2 466,0 M€	2 564,2 M€	●	●	●	●	●	●	Mixte
P181 Fonds de prévention des risques naturels majeurs	137,0 M€	205,0 M€	235,0 M€	●	●	●	●	●	●	Favorable
P345 Frais divers	50,7 M€	72,4 M€	117,5 M€	●	●	●	●	●	●	Favorable
P181 Gestion de l'après-mine et travaux de mise en sécurité,	35,5 M€	39,8 M€	40,3 M€	●	●	●	●	●	●	Favorable
P113 Gestion des milieux et biodiversité	177,6 M€	218,9 M€	232,2 M€	●	●	●	●	●	●	Favorable
P159 Gouvernance, évaluation, études et prospective en matière de développement durable	13,6 M€	15,2 M€	15,2 M€	●	●	●	●	●	●	Favorable

1. Scrutiny of entire budget

2. Classification by environmental objective (3 shades of green)

3. Overall classification

- Favourable
- Unfavourable
- Mixed
- Not captured
- Unable to tag

Source: [Rapport impact environnemental budget Etat 2022.pdf \(economie.gouv.fr\)](#)

### 3. Deliverables:

**France:** green budget report attached to the draft budget presenting the tagging results.

**Italy:** *eco-budget* annex in draft budget and *eco-execution* annex with information by CEPA-CReMA and ministry.

**Spain:** results with the draft budget. Main findings via an interactive tool to facilitate citizens' understanding.

## 4. Governance (tagging – examples 1/2)

### **Austria:**

Green Budgeting  
Focal Point (in MoF,  
leads & performs  
tagging)  
+ Line ministries  
(involved)

### **Finland:**

MoF/Central budget  
authority unit  
(leading/coordinating)  
+ Line ministries &  
secretariat for  
sustainable development  
(consulted)

### **France:**

Inter-ministerial working  
group (lead & performs  
tagging)  
+ Central Budget  
Authority (supervision)  
+ line ministries  
(consulted + tagging)

### **Greece:** Green Budgeting Committee

(MoF + MoE - lead)  
+ line ministries (highly  
involved in tagging)

### **Ireland:**

Climate coordination unit  
(lead & performs tagging)  
+ line ministries  
(consulted)  
+ Working Group (quality  
assurance)

## 4. Governance (tagging – examples 2/2)

### **Italy:**

MoF (performs tagging)  
+ line ministries (review)  
+ MoF prepares final report

### **Luxembourg:**

Inspectorate of Finance (leads - guidance on tagging)  
+ line ministries (perform tagging)  
+ IoF (analysing tagging, prepares final report)

### **Portugal:**

Ad-hoc temporary task force (Central budget authority + MoE - lead)  
+ line ministries (tagging)

### **Slovenia [?]:**

MoF (lead+guidance)  
+ line ministries (tagging)

### **Spain:**

Inter-ministerial working group (initiating)  
+ MoF & General Budget Directorate (lead)  
+ Line ministries (info for tagging)  
+ MoF & GBD (final tags)

### **Sweden:**

Central budget authority unit+ MoE (lead)  
+ Line ministries (perform tagging)

## 4. Governance (Impact assessment - examples)

### **Denmark:**

MoE (leading)  
+ Line ministries  
(involved)  
+ Energy Agency  
Green Model:  
Independent institution

### **Finland:**

Line ministries  
(responsible) +  
independent experts  
&  
Inter-ministerial  
coordination

### **Sweden:**

MoE (lead)  
+ Line ministries &  
Independent experts  
/government agencies  
(conduct EIA)

### **Netherlands:**

Central budget authority  
unit & ministry of  
environment (lead)  
Independent experts -  
Environmental  
Assessment Agency



# 5. Accountability

## Independent evaluations:

- Methodology in **France** discussed with think-tanks.
- Evaluation of policies (**Sweden, Netherlands**); advice with comply-or-explain principle (**Ireland**).
- Evaluations of budgeting reports (**Italian** Court of Auditors, **European** Court of Auditors issues regular assessments for climate tracking and soon for biodiversity).

## Role of the Parliament:

- **Italy:** obligation to send reports to Parliament.
- **Denmark:** the Minister for Climate, Energy and Utilities must present a report on the effects of the government climate policy and answer any questions in the parliament.

# Annex 2:

## Green budgeting & the budget cycle

# Main findings

***Integrating green budgeting in the regular budget process is crucial to influence policy making.***

In-depth interviews with selected countries show:

- Often not integrated into the budget law.
- Green budgeting tools are commonly used during the budget preparation & negotiation phase.
- Green budgeting has so far been used to provide transparency and less so to decide on the budget (*facilitates transition from awareness to action*)
- Available at: [How Green Budgeting is Embedded in National Budget Processes \(europa.eu\)](#)

# Annex 3:

## Revised EU Budgetary Framework Directive

# A greener and more climate-resilient budget

## Amended EU Budgetary Framework Directive

**Recital 19** points out that “green budgeting tools can help redirect public revenue and expenditure to green priorities”.

**Art 9(2)d requires Member States to produce assessments** specifying, to the extent possible, the macrofiscal risks from climate change and its environmental and distributional impacts, and the implications of planned policies on sustainable and inclusive growth.

### **Art 14(3) requires Member States to publish:**

- Information on disaster and climate-related contingent liabilities to the extent possible;
- Published information shall, to the extent possible, take into account information on fiscal costs incurred due to disasters and climate-related shocks.