



Budgetary practices that support the green transition

Evidence from the EU Member States

Elva Bova, DG ECFIN, European Commission

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Overview

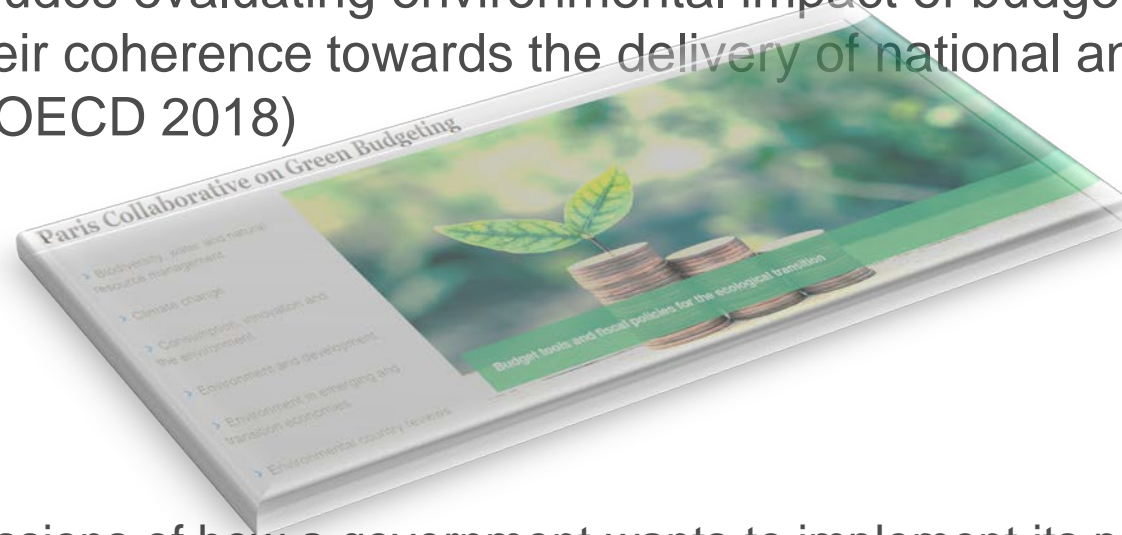
- Definitions and concepts around green budgeting
- Evidence of approaches:
 - France
 - Italy
- Governance and Accountability
- References

Definitions and concepts

A definition of green budgeting

‘**Green budgeting** means using the **tools** of budgetary policy-making to help achieve **environmental goals**. This includes evaluating environmental impact of budgetary or fiscal policies and assessing their coherence towards the delivery of national and international commitments...’ (OECD 2018)

How green is your budget?



Why green budgeting?

Budgets are one of the main expressions of how a government wants to implement its political ambition aligning budgets with environmental objectives is a crucial tool for the ecological transition.

No EU reporting requirement on green budgeting

European Commission and green budgeting

Mandate from the European Green Deal

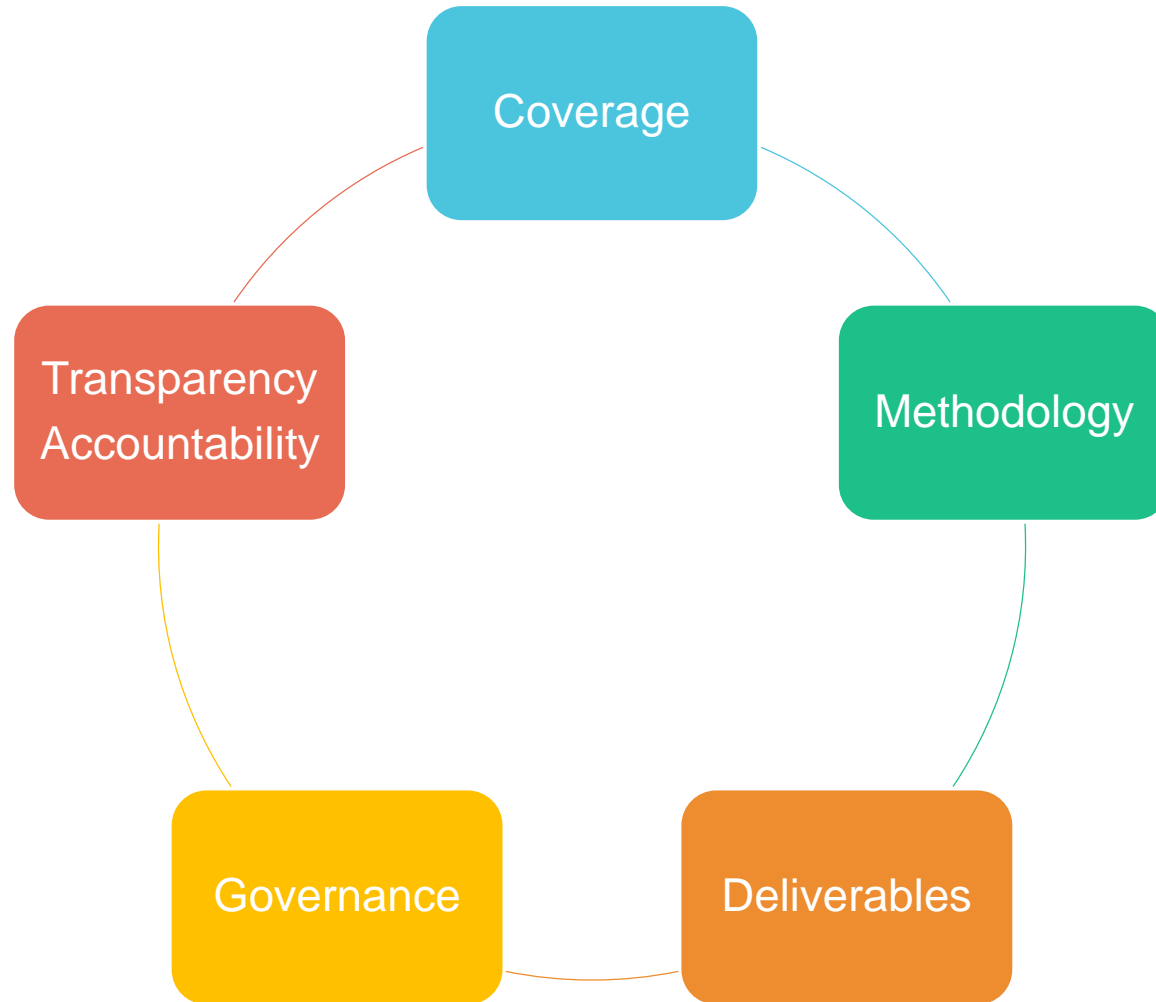
National budgets play a key role in the transition. A greater use of green budgeting tools will help to redirect public investment, consumption and taxation to green priorities and away from harmful subsidies. The Commission will work with the Member States to screen and benchmark green budgeting practices. 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.

Green budgeting reference framework

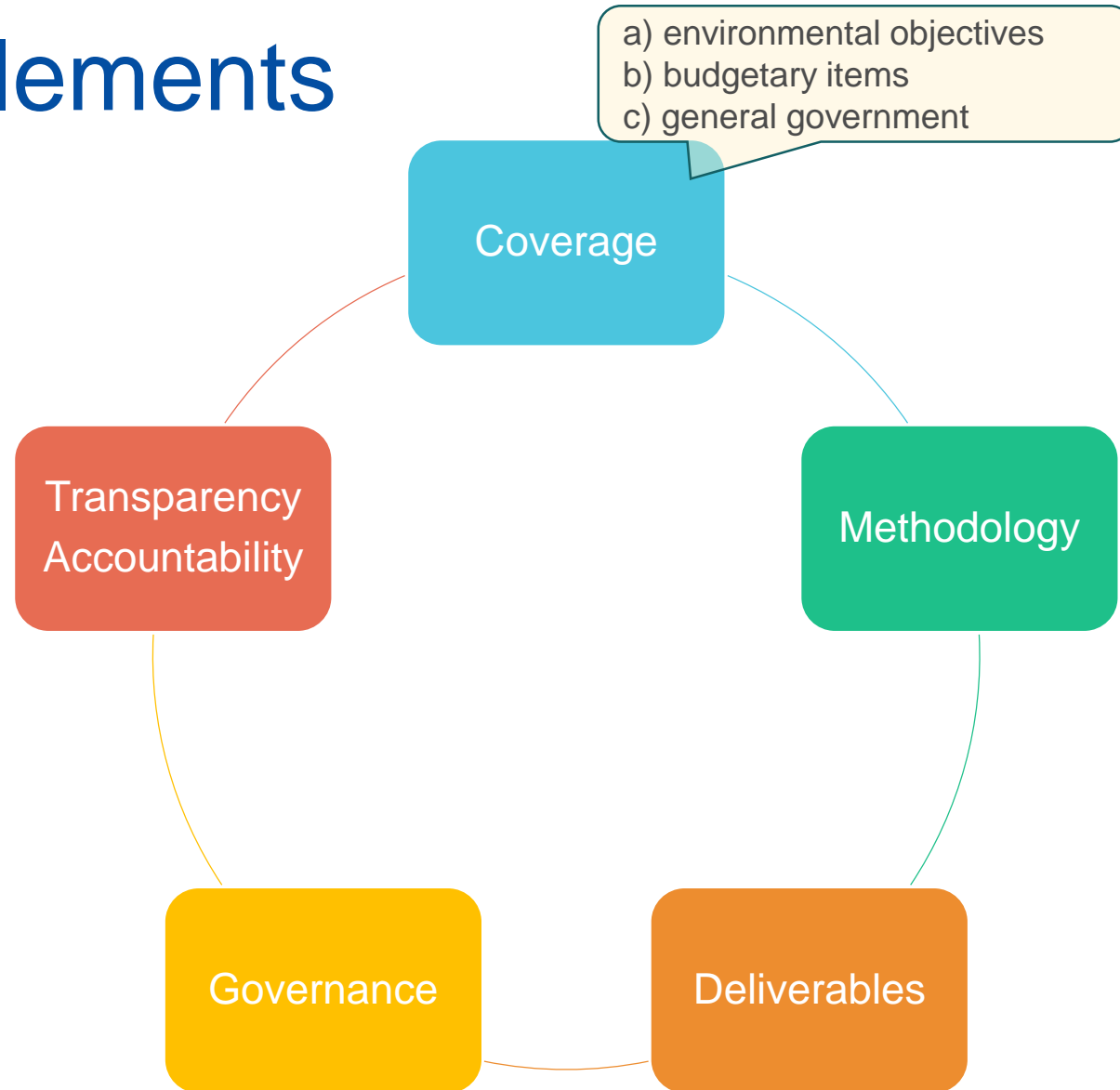
In 2020, the European Commission presented a **Green Budgeting Reference Framework (GBRF)**, to guide Member States embarking in green budgeting and provide a reference for monitoring practices.

It builds on existing good practices of public financial management and GB methods across the EU ([Green Budgeting in the EU: A First Review \(europa.eu\)](https://europa.eu))

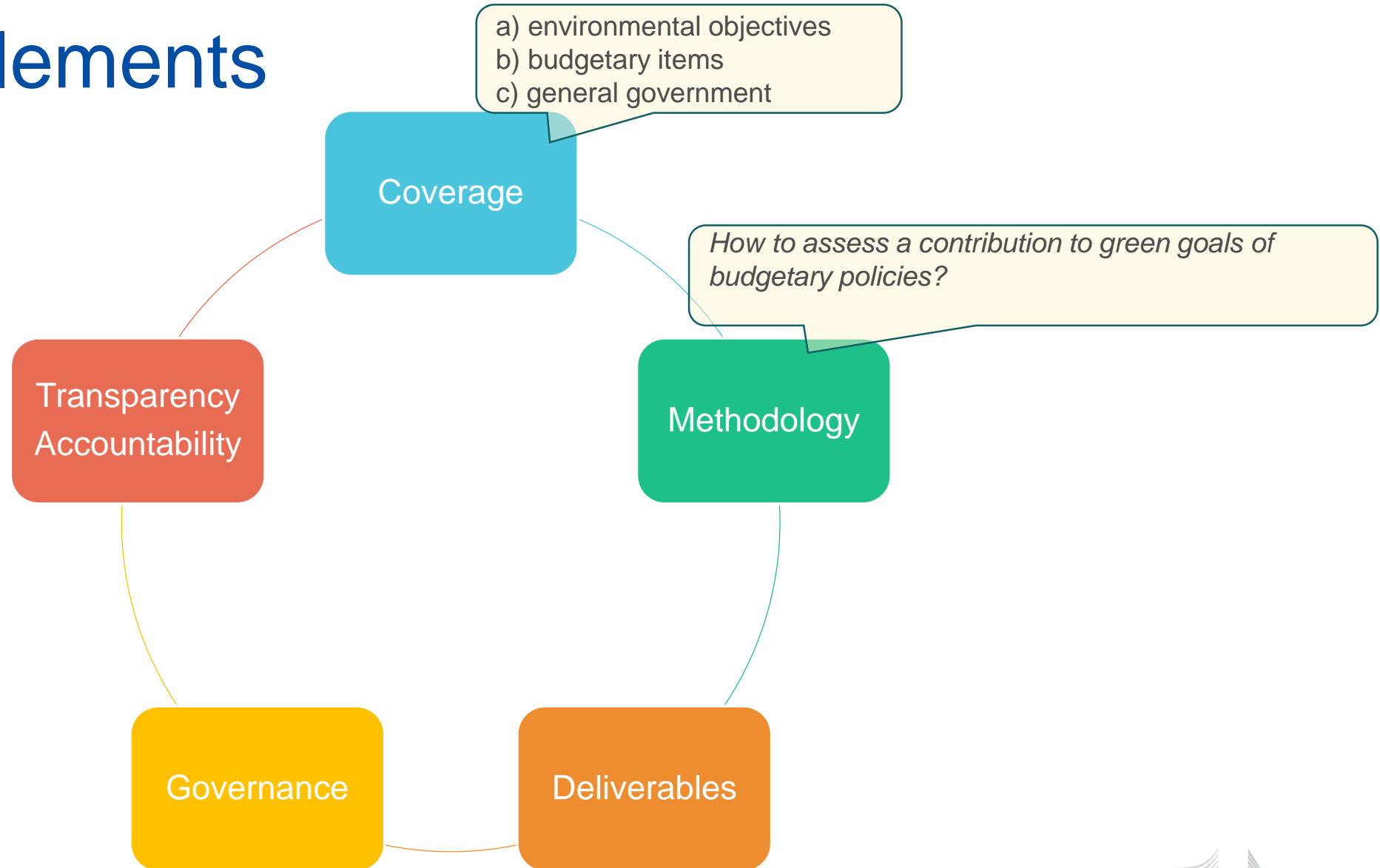
Main elements of GBRF



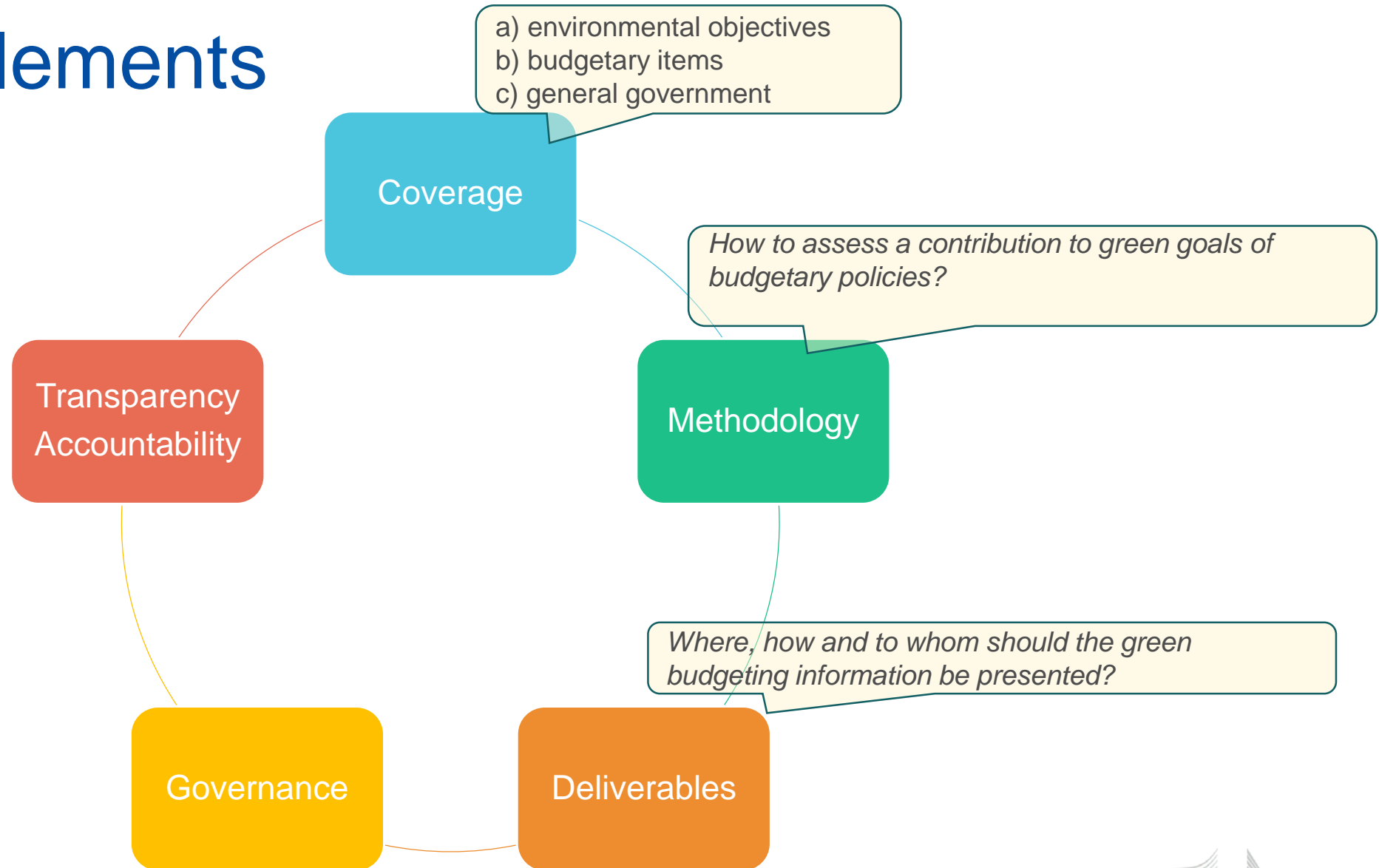
Main elements



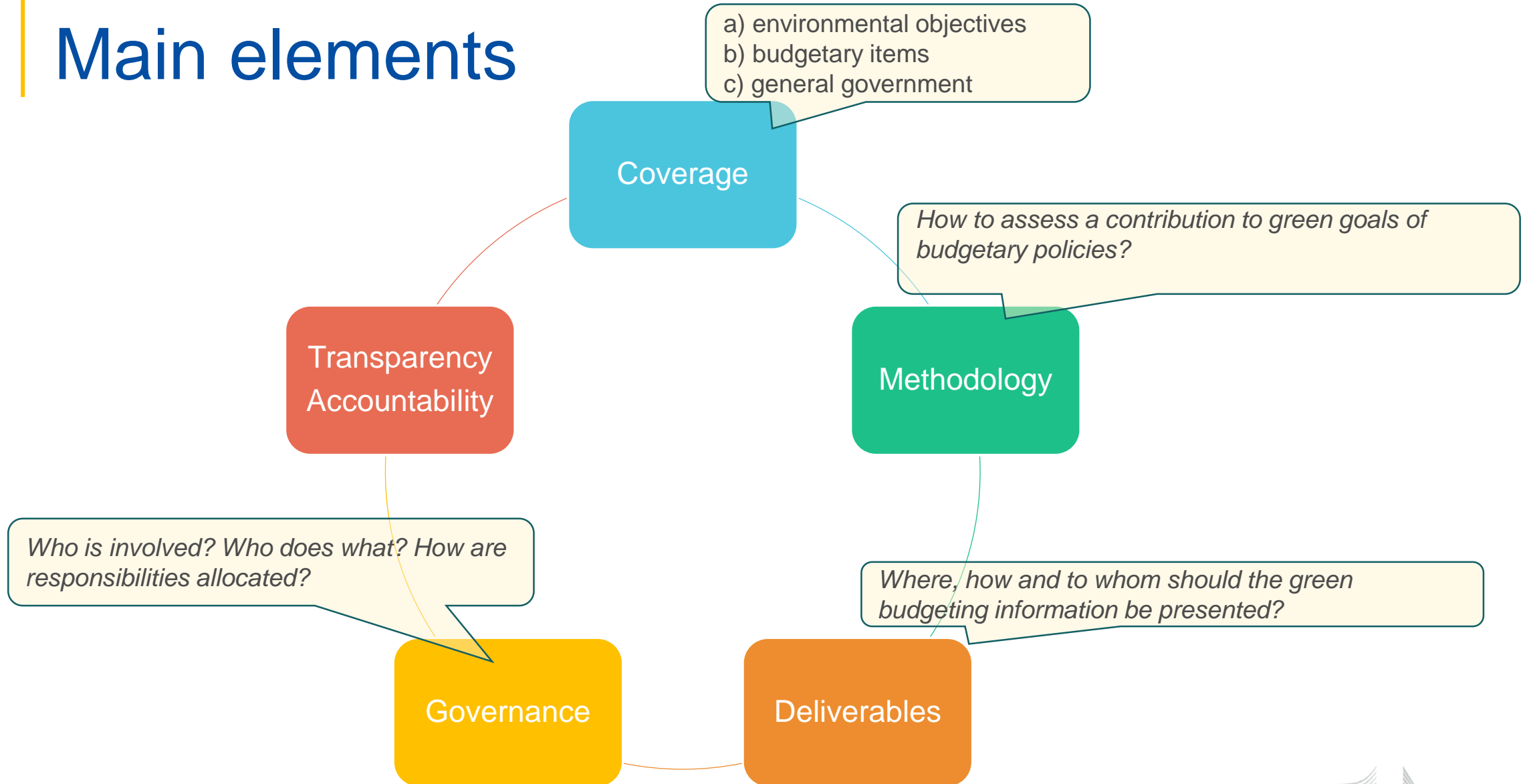
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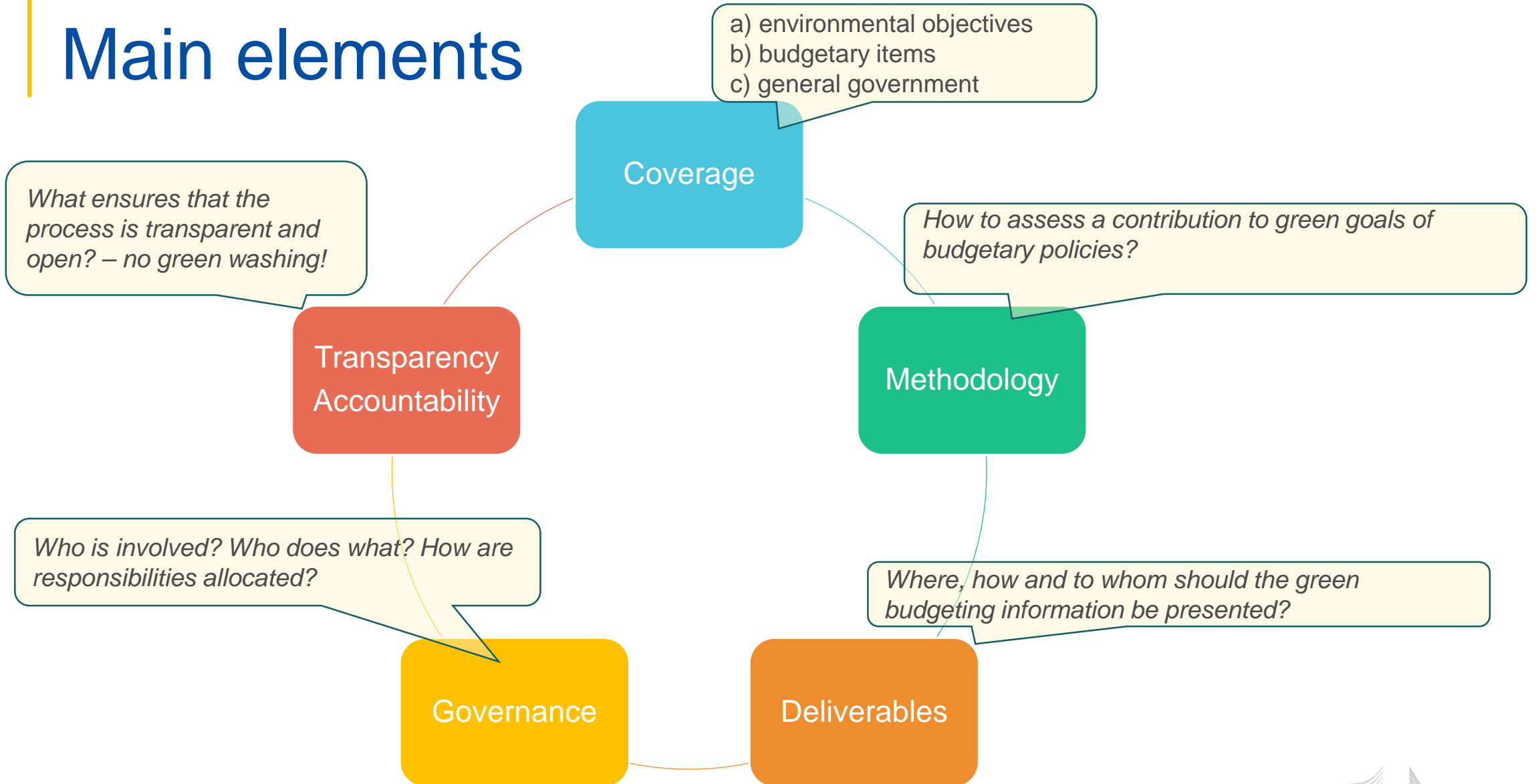
Main elements



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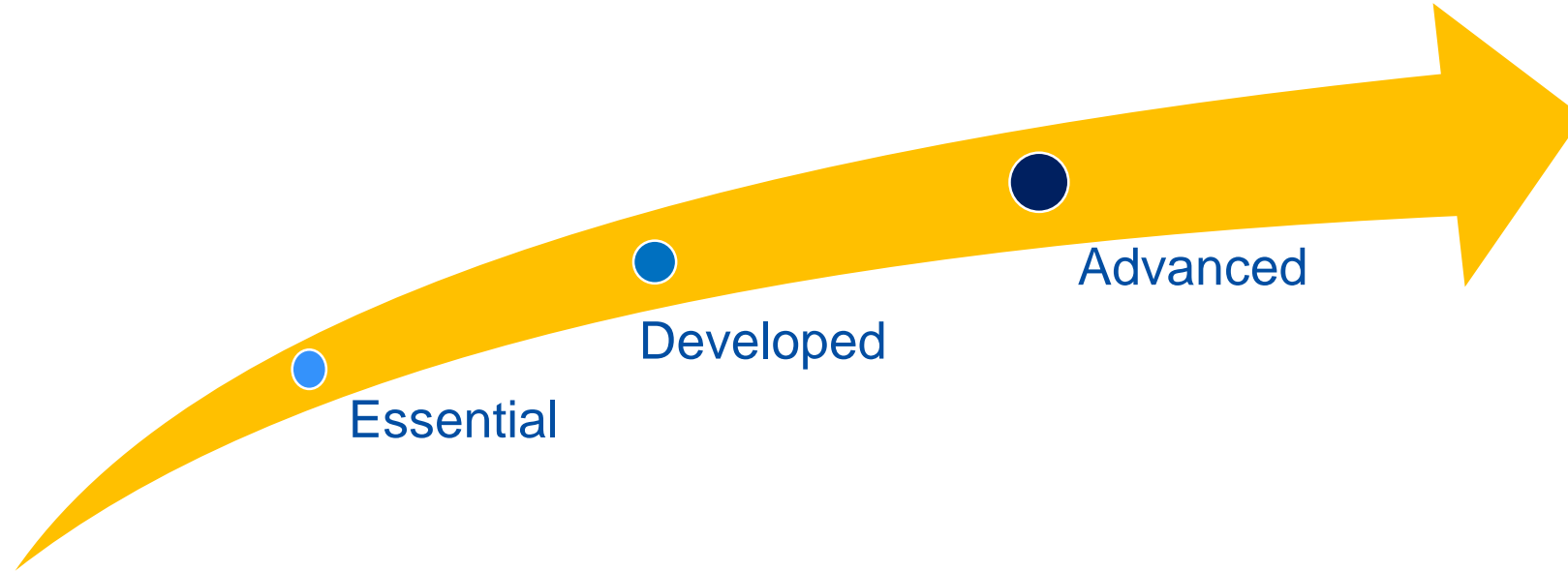


Main elements



A phased approach

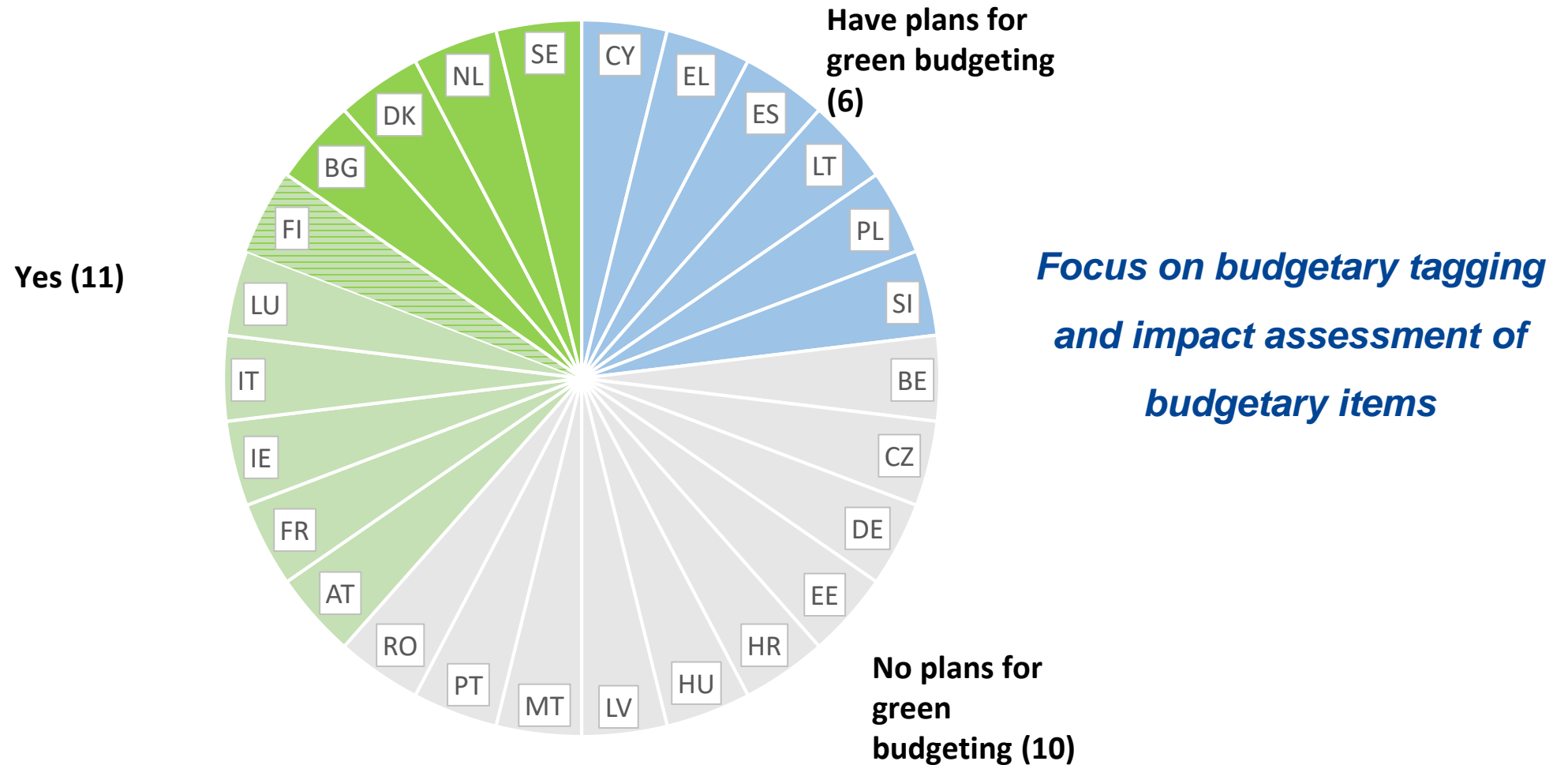
GBRF envisages **3 levels of development** (applicable to each of the 5 key elements):



To allow **flexibility** in the development of national GB practices, given differences in budgetary approaches
=> e.g. a framework could be advanced for the coverage and essential for the methodology (examples later).

Evidence of approaches

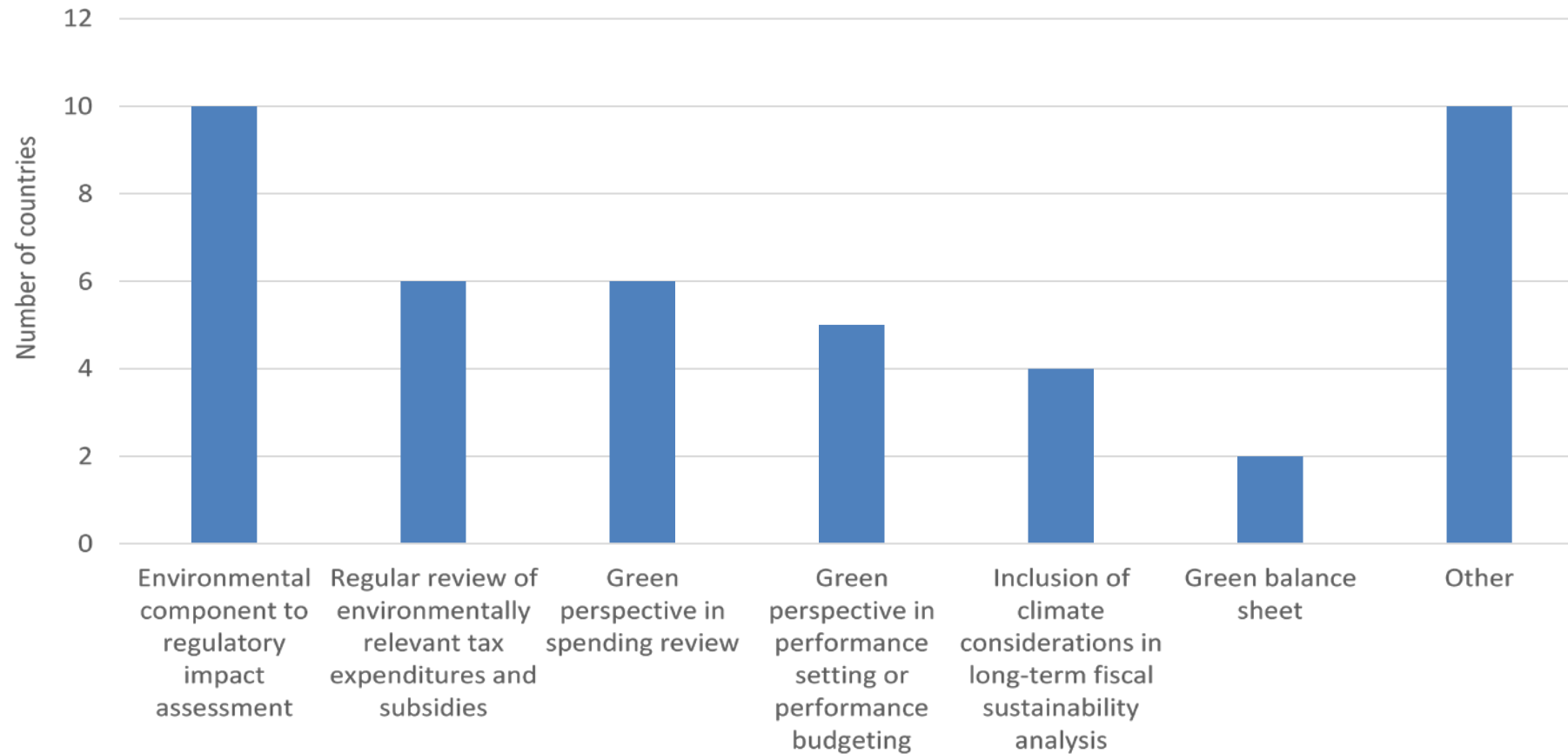
Green Budgeting practices



Source: [European Commission 2021 survey on Green Budgeting Practices in the EU](#)

Other tools

... relevant to the greening of public finances



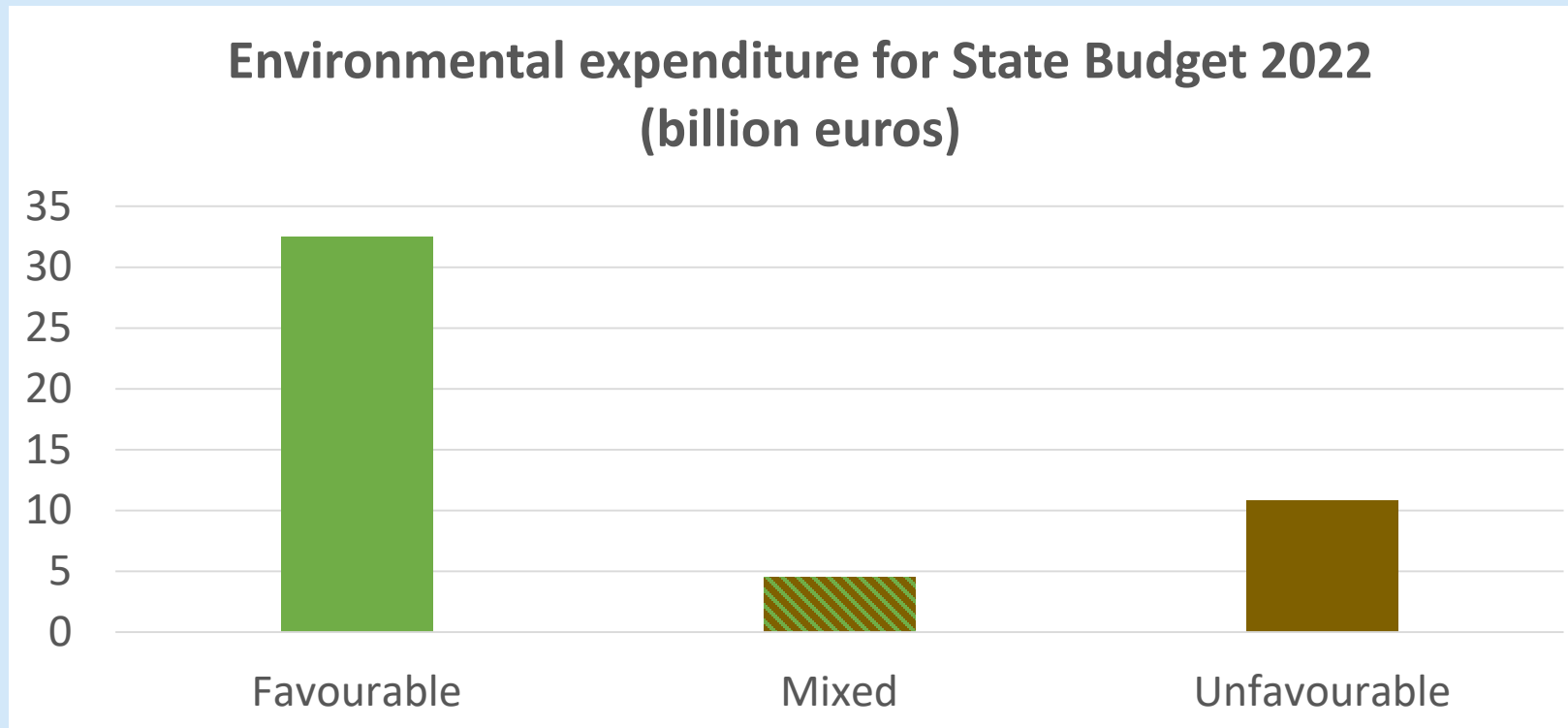
Source: 2021 European Commission survey on green budgeting

FRANCE

Environmental expenditure

Budgets since 2020 have an annex on green budgeting

Of EUR 587 bn, EUR 53.4 bn (9% of total expenditure) are environmental expenditure (including tax expenditure). The rest is neutral (e.g. wages and salaries, social transfers...) or not yet assessed.



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

Environmental objectives



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

Methodology

Each mission is assessed to be either favourable, neutral or unfavourable with respect to each environmental objective.

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
P612 Exploitation et innovation de la Navigation aérienne	269,0 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

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

Environmental expenditure- details

Favourable= EUR 32.5 bn

of which **6.9** for renewable energies, **2.2** subsidies for energy transition, **2.2** earmarked taxes for water agencies, **2** for research on energy and environment, **2** development aid, **1.5** reduced VAT for energy efficiency works, **1.4** green mobility.

Mixed= EUR 4.5 bn

of which **2.6** for railways, **0.8** infrastructure projects, **0.5** river projects.

Unfavourable=EUR 10.8 bn

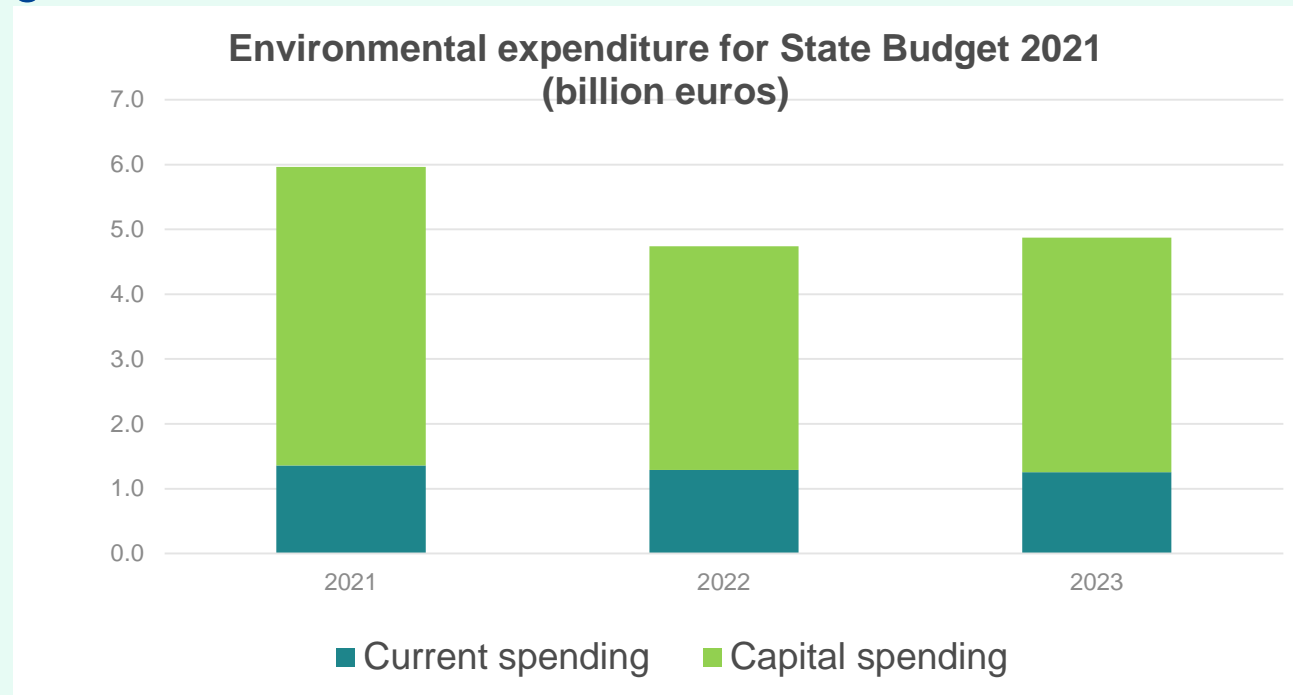
of which **6.4** exemptions or reduced rates for consumption taxes, particularly on energy products, **1.5** for energy production in areas not connected to the metropolitan grid, **0.3** for aviation industry.

ITALY

Environmental expenditure

Eco-budget as part of draft budget package since 2000 and Eco-execution since 2010

- Data presented by relevant activities, by Ministry and some Government Finance Statistics categories



Source: [Ecobudget, Ragioneria Generale dello Stato](#)

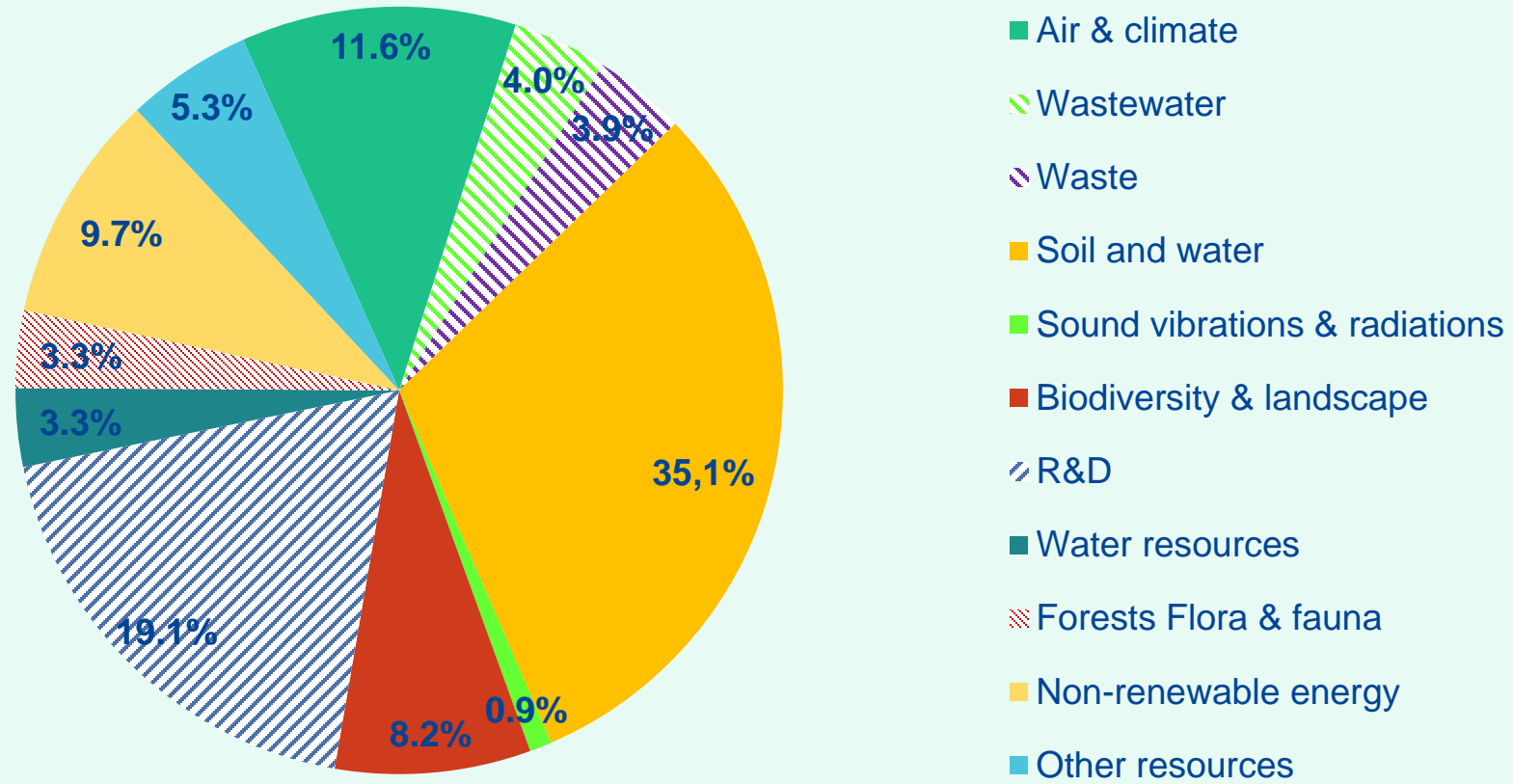
Environmental objectives

UN Classifications of environmental protection and resource management activities

Total environmental protection and resource management activities	
TOT_CEPA	Total environmental protection activities
CEPA1	Protection of ambient air and climate
CEPA2	Wastewater management
CEPA3	Waste management
CEPA4	Protection and remediation of soil, groundwater and surface water
CEPA5	Noise and vibration abatement (excluding workplace protection)
CEPA6	Protection of biodiversity and landscapes
CEPA7	Protection against radiation (excluding external safety)
CEPA8	Environmental research and development
CEPA9	Other environmental protection activities
TOT_CREMA	Total resource management activities
CREMA10	Management of waters
CREMA11	Management of forest resources
CREMA12	Management of wild flora and fauna
CREMA13	Management of energy resources
CREMA14	Management of minerals
CREMA15	Research and development activities for resource management
CREMA16	Other resource management activities

Environmental expenditures by objective

Objectives in line with UN classifications of environmental protection (CEPA) and resource management (CReMA) activities



Source: [Ecobudget, Ragioneria Generale dello Stato](#)

Methodology

Two-Stage approach of tagging

- 1) identify budget sub-chapters with i) no environmental contribution, ii) environmental contribution, iii) environmental and non-environmental contribution.
- 2) reclassification of sub-chapters for ii & iii under CEPA-CReMA, flagging items classified under multiple objectives and assigned percentages

Administration	Chapter	Sub-chapter	multi-objectives	CEPA				CReMA		Environmental	CEPA				CReMA	
				2	4	6	9	11	16		2	4	6	9	11	16
Ministry of Environment	Expenses for protection of sea waters, for rental fees of vessels and other means of transport used for reduction of sea water pollution	Monitoring and abatement of sea pollution	X	X		X				1.00	0.50		0.50			

Note: CEPA 2: wastewater management, CEPA 6: biodiversity protection

GOVERNANCE & ACCOUNTABILITY

Governance

Luxembourg: Inspectorate of Finance distributes the budget circular, and guides line ministries in the tagging process. IoF prepares the report.

France: General Inspectorate of Finances + ad-hoc temporary task develop GB report; discussion with ministries

Sweden: the Budget Bill report on “green” taxes/expenditures is interministerial work using documents from agencies (e.g. Climate Policy Council).

Italy: MoF autonomously implements tagging, then the line ministries review. MoF prepares the report.

Finland: MoF and line ministries initial tagging exercise. Afterwards, MoF annual updates double-checked by line ministries.

Ireland: Department of Public Expenditure and Reform does tracking, and collaborates with ministries

Climate watchdogs

- Independent bodies to advise government on climate policies
- Additional tasks in mandate go from assessing coherence of all policies (FI, FR), policy evaluation (SE), welfare impact of policies (DK), monitoring of actions taken (IE)



UK 2008

Committee on
Climate Change



SE 2017

SWEDISH CLIMATE POLICY COUNCIL

Klimatpolitiska rådet



DK 2014

THE DANISH COUNCIL ON CLIMATE CHANGE

FI 2012



SUOMEN
ILMASTOPANEELI
The Finnish Climate
Change Panel

FR 2018

HAUT CONSEIL
pour le CLIMAT

IE 2019

Delivery Board Established to Drive Forward Climate Action Plan



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
- **Ireland:** green budgeting related programmes are discussed and voted in Parliament
- **France:** green budgeting report discussed in Parliament within budgetary discussions

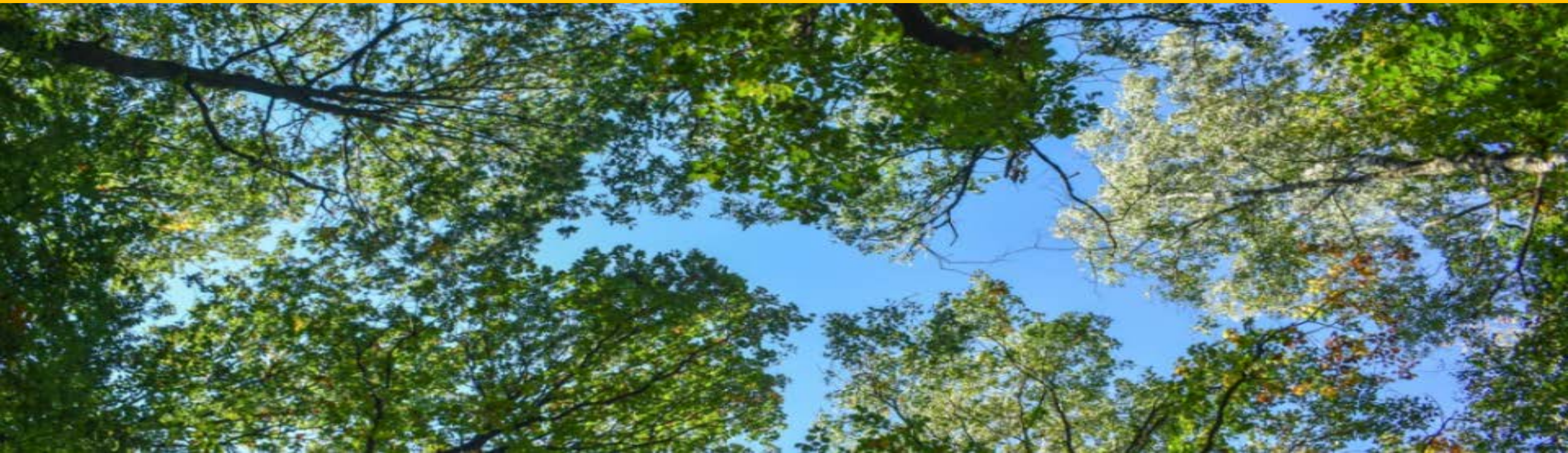
References

[Bova, E. \(2021\), Green Budgeting practices in the EU: a first review, ECFIN Discussion Paper 140](#)

[European Commission, OECD, IMF \(2021\), Green Budgeting: towards common principles, paper prepared for Cop26](#)

[Green budgeting in the EU | European Commission \(europa.eu\)](#)

Thank you!



Green Budgeting Reference Framework