

Paris,  
June 2023

# Greener, better, stronger: Factors for the successful implementation of green budgeting in EU Member States

Author: Chloé **Boutron**



**Funded by  
the European Union**

---

## **ACKNOWLEDGEMENTS**

The author would like to thank all those who contributed to this report: **Pierre Besson** (Expertise France), **Maria Casado** (DG REFORM), **Jacqueline Cottrell** (Expertise France), **Damien Demailly** (I4CE), **Lazaros Dimitriadis** (DG REFORM), **Marion Fetet** (I4CE), **Erwann Kerrand** (I4CE), **Louise Kessler** (I4CE), **Solène Metayer** (I4CE), **Simona Pojar** (DG ECFIN), **Charlotte Vailles** (I4CE), **Päivi Valkama** (DG REFORM).

---

This document was produced with the financial assistance of the European Union. The views expressed herein can in no way be taken to reflect the official opinion of the European Union.

# EXECUTIVE SUMMARY

National budgets, as the main driver of public action, need to be ‘greened’ by governments to achieve the transition to low-carbon, climate-resilient, and sustainable economies. That is, budgeting processes need to ensure sufficient funds are directed towards green activities and are directed away from environmentally harmful ones.

Green budgeting consists of a set of tools to help governments align public budgets with climate and environmental objectives. Since the implementation of the first green budgeting exercise in Nepal in 2011<sup>1</sup> with the support of the United Nations Development Programme (UNDP), over 60 countries, including 12 European Union (EU) Member States, have implemented the practice. Yet, only limited funds worldwide are currently allocated to climate and environmental objectives, and budgets still significantly support environmentally harmful activities (e.g., through fossil fuel subsidies) (IEA 2023).

Implementing, or improving green budgeting can help EU Member States deliver on their climate and environmental objectives. To foster the uptake of the exercise, the European Commission’s Directorate-General for Economic and Financial Affairs (DG ECFIN) published the EU [Green Budgeting Reference Framework](#) (GBRF) – a no ‘onesizefitsall’ tool – in 2020<sup>2</sup>. Additionally, a multi-country capacity building programme, the “EU Green Budgeting Training”, was launched in 2021 at the request of Member States. It is funded by the European Union with the Commission’s [Technical Support Instrument](#), managed by the Directorate-General for Structural Reform Support (DG REFORM), and carried out in cooperation with the Institute for Climate Economics (I4CE) and [Expertise France](#).

This report presents insights gathered through the delivery of the EU Green Budgeting training in 23 Member States.<sup>3</sup> It highlights resources and opportunities that facilitate the implementation of green budgeting among Member States: the willingness to exchange on good practices with peers, EU requirements to develop climate and environmental strategies which provide context for green budgeting, and the uptake of outcome-responsive budgeting in several countries. This report also points out challenges and suggests options to circumvent them to ensure that green budgeting is implemented in a robust manner, is nationally owned, and effectively serves as a decision-making tool to align budgets with national climate and environmental objectives.

When properly implemented, green budget tagging – a prominent green budgeting tool – can provide a clear picture of the share of a national budget that is aligned, or runs counter, with national climate and environmental targets, and can inform reforms of budget items, notably items that support environmentally harmful activities. However, if countries want to know how much public funding is needed to achieve climate and environmental targets, then they should complement green budgeting with a financing plan for the transition to a low-carbon, resilient, and sustainable economy, featuring estimates of investment needs.

1 [https://www.npc.gov.np/images/category/climate\\_public\\_expenditure.pdf](https://www.npc.gov.np/images/category/climate_public_expenditure.pdf)

2 [https://economy-finance.ec.europa.eu/economic-and-fiscal-governance/green-budgeting-eu\\_en](https://economy-finance.ec.europa.eu/economic-and-fiscal-governance/green-budgeting-eu_en)

3 See [Table 2](#) in the annex for a list of participating countries.

# GREEN BUDGETING CAN HELP GOVERNMENTS PROGRESS TOWARDS CLIMATE AND ENVIRONMENTAL OBJECTIVES

**Achieving the transition to low-carbon, climate-resilient, and environmentally sustainable economies requires the mobilisation of significant public and private funds and the redirection of finance flows away from environmentally harmful activities.** Worldwide, only a limited share of public funds is currently allocated to climate and environmental activities or indirectly contributes to reaching climate and environmental objectives. On the other hand, a large share of public funds contributes to climate and environmentally harmful activities, either to sustain economies in the short term as they face crises (e.g., the energy price crisis in Europe in 2022-2023), or because reforming such streams of public funds is challenging from administrative and political standpoints (e.g., the removal of public subsidies on the price of gasoline leading to protests in Ecuador in 2018).<sup>4</sup> In total in 2021, €45.1 billion of public funds supported the use of fossil fuels among EU countries according to the [Fossil Fuel Subsidy Tracker](#).

**National budgets and budgetary allocation processes need to be reformed to consider climate and environmental issues.** Budgeting systems are traditionally blind to policy outcomes, allocating resources to programs and projects based on prospective effect rather than actual impact on national strategic goals or policy objectives.<sup>5</sup> This is particularly true of the consideration of strategic goals that are secondary, or indirect, to a specific project or program. Yet, the systematic consideration of national climate and environmental objectives by budgetary decision-makers (line ministries, analysts, ministries of finance) and executive bodies (parliaments, governments) can help direct public funds towards green investments and foster budgetary measures that can incentivise the private sector to engage in the green transition, all while reducing funds and incentives that support climate- and environmentally harmful activities.

**Green budgeting consists of a set of tools to help governments align public budgets with national climate and environmental objectives.**<sup>6</sup> These tools include among others environmental impact assessments of selected budgetary items, drafting budgetary circulars

or performance indicators considerate of climate and environmental goals. Green budget tagging, the practice of scanning all budgetary items (i.e., expenditure, revenue, tax expenditure) and systematically identifying whether they contribute to or impede the achievement of climate and environmental objectives, is a useful green budgeting tool. Its methodology expands on climate budget tagging (CBT), a restricted version considering only climate objectives.<sup>7</sup> Green budget tagging processes and results are particularly useful to trigger discussions on whether national budgets support green or brown activities, which can be informative for political decisions to enhance the alignment of budgets with environmental objectives. Green budget tagging assessments can also improve transparency on public climate and environmental action, it can facilitate access to green finance by justifying the attribution of green bonds or grants to targeted, green projects, and it can increase the effectiveness of public spending by facilitating trade-offs between budget items (i.e., for two budget items seemingly on par, green budget tagging will allow decision makers to allocate funds to the one best aligned with green goals, ensuring the effectiveness of spending beyond the specific area of the budget item). See [Figure 1](#) for an overview of objectives traditionally pursued by countries engaging in green budget tagging.

4 Indeed, the [IEA](#) (2023) reports that subsidies for fossil fuel consumption worldwide exceeded US\$1 trillion for the first time in 2022; in contrast, subsidies for renewables constituted close to US\$167 billion in 2017. Similarly, the [OECD](#) (2020) reports that public spending harmful to biodiversity represents US\$500 billion per year globally, while biodiversity-friendly public spending amounts to only US\$78–91 billion per year.

5 [Performance budgeting](#), a relatively novel budgeting practice, circumvents this through assessing the impact of budget items after their enactment in the first year to decide on resource allocation in subsequent years.

6 See: [https://economy-finance.ec.europa.eu/economic-and-fiscal-governance/green-budgeting-eu\\_en](https://economy-finance.ec.europa.eu/economic-and-fiscal-governance/green-budgeting-eu_en) and <https://www.undp.org/publications/budgeting-climate-change-guidance-note-governments-integrate-climate-change-budgeting>.

7 For more details on CBT methodologies, please see this [I4CE report](#) (p.6) and this [World Bank report](#) (p.21).

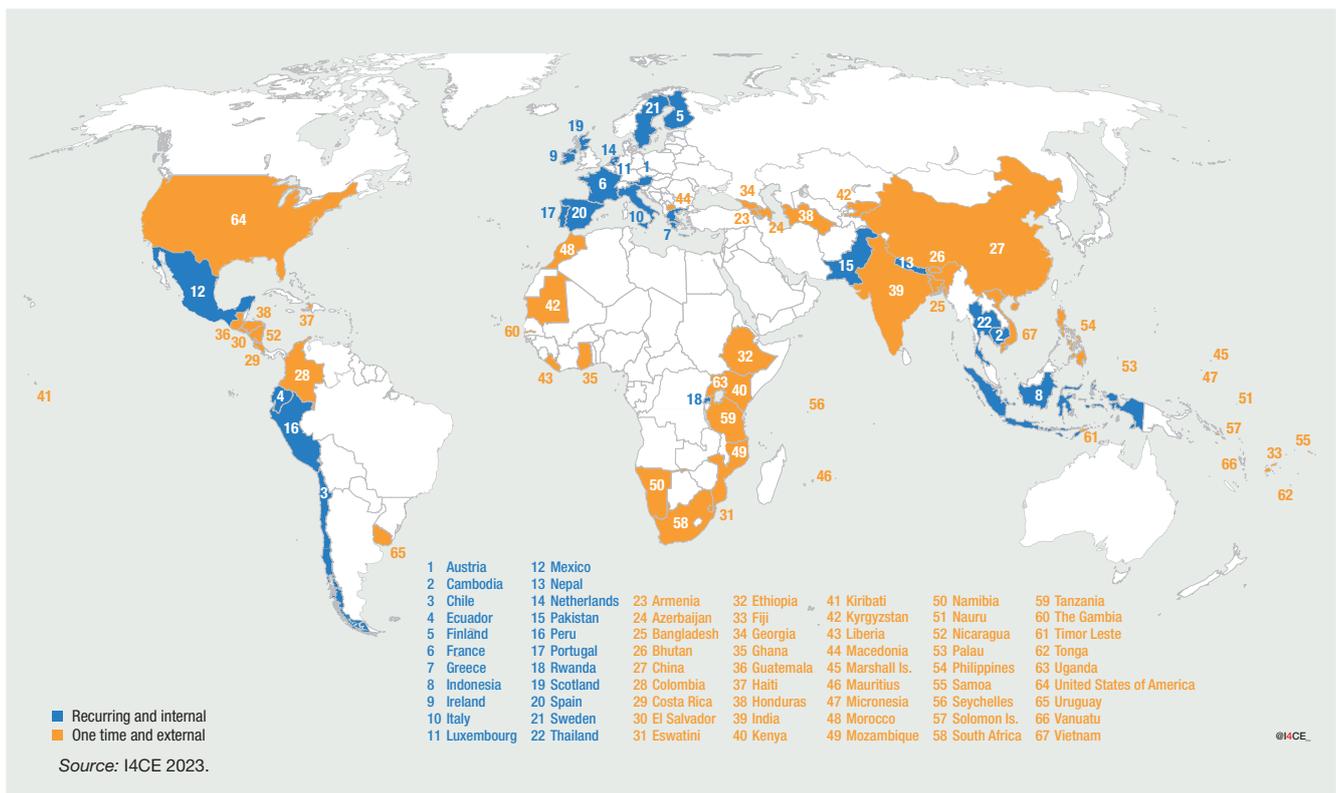
**FIGURE 1. WHY COUNTRIES ENGAGE IN GREEN BUDGET TAGGING**



Over 60 countries, including 12 EU Members States, have engaged in various forms of green budgeting since 2011 when the first climate budget tagging exercise was conducted in Nepal (see Figure 2 for an overview of countries conducting green budget tagging). While some countries have engaged with green budgeting on a one-time basis, EU countries that have engaged with the practice do so, or plan to do so, on an annual basis. The coverage and development level of green budget tagging practices vary across countries. For instance, France and Ireland consider all budgetary items (expenditure, revenue, and tax expenditure). France does so on six environmental dimensions and uses a five-gradient scale ranging from harmful (brown) to friendly (green), while other countries currently focus only on the dimensions of climate mitigation and adaptation. Other countries such as Denmark

conduct impact assessments on a subset of climate-friendly budgetary items. These different, yet nonmutually exclusive, approaches highlight areas for progress in all countries engaged in green budgeting, while others still need to develop such practices. International organisations including the EU, the OECD, the UNDP, and the World Bank are supporting the uptake, further development, and harmonisation of green budgeting worldwide. Box 1 details actions and programmes to support green budgeting by the European Commission. Green budgeting, principally in the form of green budget tagging, has also been implemented by many local governments, including the cities of Venice, Barcelona, Lyon, and the Brittany region in France (OECD, nd). Much like at the national level, green budget tagging at the local and regional level varies in scope and level of engagement.

**FIGURE 2. MAP OF COUNTRIES WHICH HAVE UNDERTAKEN GREEN BUDGET TAGGING**



## BOX 1. EU SUPPORT TO MEMBER STATES TO DEVELOP GREEN BUDGETING

The European Commission has developed a reference framework and capacity building schemes to support Member States seeking to embark in or improve their green budgeting practices. The [EU Green Budgeting Reference Framework](#) (GBRF) developed by DG ECFIN is a flexible tool proposing a step by step approach to the implementation of green budgeting by Member States. With its five dimensions and three levels of development, as shown in [Table 1](#) in the annex, it ensures there is no ‘one-size-fits-all’ model for the implementation of green budgeting, fostering national ownership of the practice. Additionally, it allows Member States to improve their practice over time. Through DG REFORM’s [Technical Support Instrument](#) (TSI) a capacity building scheme on green budgeting and the GBRF, taking the form of a training series, was developed in collaboration with I4CE and Expertise France and proposed to Member States: Supporting the implementation of [EU Green Budgeting Practices](#).

**Consisting first of three modules, the EU green budgeting training was offered to 23 Member States who requested the technical support from DG REFORM between November 2021 and August 2023.** It specifically targeted budget practitioners within administrations – in finance ministries, environment ministries, and line ministries – and was designed to accommodate for 15 to 20 participants in each country. Member States had the option to register only for the first module, the first and second, or all three modules.

**Module 1 consisted of a one-day online introduction to the concept of green budgeting** and overview of existing green budgeting frameworks and practices. It featured speakers from the European Commission (DG ECFIN and DG BUDG), the French Ministry of Finance, think tanks, and international organisations (OECD). The Commission covered the Green Budgeting Reference Framework in detail, the French Ministry of Finance shared insights on its green budget tagging methodology, and the OECD presented the main aspects of its green budgeting framework and insights into performance budgeting frameworks.

**Module 2 and Module 3, both lasting two days, were tailored for each Member State** and delivered either online or on-site. During the second module, each participating Member State was presented with green budget tagging methodologies and engaged in a first case study aimed at tagging a sector of its budget with regards to national climate objectives. The third module was designed to accompany the Member States in the development of a roadmap for the implementation of green budget tagging, or for the development of existing practices, after establishing a diagnostic of the current institutional setting and capacity endowment. It featured country-specific recommendations pertaining the sequencing of the green budgeting implementation, how to best organise the governance of green budgeting, and how to ensure the collection of information and communication of results both within and outside the government. [Table 2](#) in the annex, presents a summary of participating Member States and their chosen sectors of focus for the second module.

**Module 4, an exchange of civil servants, was introduced by the European Commission at the end of 2022.** It was developed considering the increased engagement of Member States in the design and implementation of green budgeting, and in light of the Declaration signed by Commissioner Hahn on 9 March 2022 and the Declaration endorsed by Commissioners Ferreira and Hahn on 17 March 2022. The module offers civil servants an opportunity to share good practices and experiences with peers, to acquire on-the-job training linked to reforms underway, and to keep up to date with the latest policy developments across the EU. The exchange will contribute to building a network of green budgeting practitioners in the EU. To date, 17 Member States manifested interest, and the module kicked-off with two specific exchanges involving civil servants from [Cyprus](#), [Greece](#), [Ireland](#), [Latvia](#) and [Slovenia](#).

Source: I4CE and European Commission 2023.

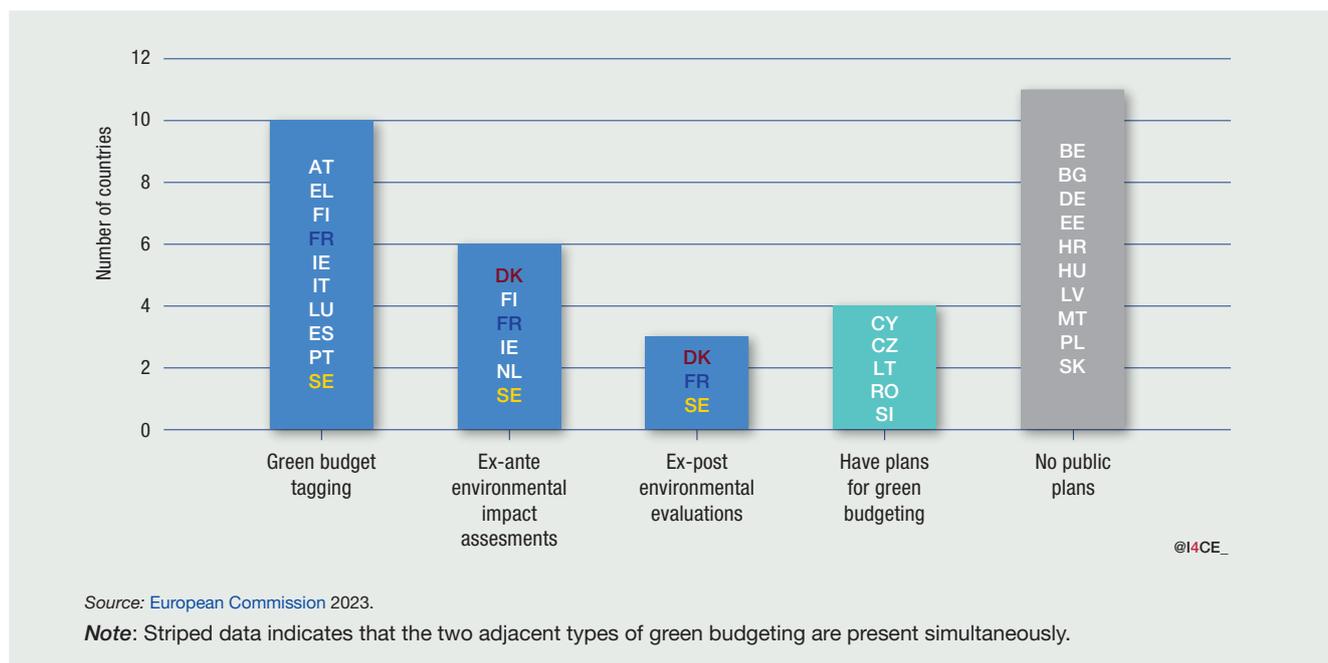
# MOMENTUM ON GREEN BUDGETING AMONG EU MEMBER STATES SHOULD BE FURTHER BUILT ON

## Achievements and strengths

There is currently strong momentum around green budgeting in the EU: some Member States have been conducting high-level green budgeting exercises for the past years and are willing to share good practices. 12 Member States are already engaged in green budgeting and 5 plan to implement such practices in the future (see Figure 3 for details). Member States' willingness to deliver presentations on their methodologies, share their struggles, and to participate in conferences and bilateral exchanges contributes to building momentum on green budgeting in the EU, and will facilitate the harmonisation of practices over time. For example, representatives from Ireland, France, and Indonesia (a non-EU country with an advanced climate budget tagging methodology) gathered

online under the EU green budgeting training for half a day of peer-to-peer exchanges on green budget tagging. Module 4 of the EU green budgeting training intends to deepen this dynamic and could be augmented by a communication network through which green budgeting practitioners could receive prompt advice from their peers on technical difficulties. Exchanges with representatives from local and regional authorities and countries outside the EU can also be beneficial. Projects to implement Sustainable Development Goals (SDG) budgeting and gender budgeting in some Member States, such as Spain, Ireland, and in the local authorities of Andalucía and Sardinia, further adds to the momentum on green budgeting.

FIGURE 3. GREEN BUDGETING PRACTICES AND PLANS IN THE EU



The EU Taxonomy Regulation, the climate requirements in the EU Recovery and Resilience Plans (RRP) and the green and brown lists prepared by DG ECFIN<sup>8</sup> can provide a starting point to develop country-specific green budgeting methodologies. The EU Taxonomy Regulation provides a list of economic activities that contribute significantly to one or more of six environmental

objectives<sup>9</sup> and that Do No Significant Harm (DNSH) to the other objectives. Designed for the private sector to report on its activities, it can also offer a sense of budget items that can generally be tagged as green. Requirements for 37% of funds allocated to each Member States under the Recovery and Resilience Facility (RRF) to contribute to climate change objectives have led Member States to

<sup>8</sup> See [https://economy-finance.ec.europa.eu/economic-and-fiscal-governance/green-budgeting-eu\\_en](https://economy-finance.ec.europa.eu/economic-and-fiscal-governance/green-budgeting-eu_en)

<sup>9</sup> Climate change mitigation, climate change adaptation, sustainable use and protection of marine resources, transition to a circular economy, pollution prevention and control, protection and restoration of biodiversity and ecosystems.

conduct climate tagging for their national Recovery and Resilience Plans (RRP) using the [EU Climate Tracking Methodology](#) (see Annex VI), thereby giving them first-hand experience with the practice and helping build administrative capacity for implementing green budgeting. For example, the current green budget tagging practice in Luxembourg which consists in tracking expenditure contributing to the NECP, in part stems from the EU Climate Tracking Methodology used in the context of the RRP. Moreover, to align EU requirements for the private sector to disclose investments following the EU Taxonomy Regulation, Luxembourg has a strong interest in incorporating elements of the EU Taxonomy Regulation in its green budgeting methodology.

**Member States can draw from other resources, such as green bonds frameworks or statistical green reporting practices, to develop their green budgeting methodology.** Member States' departments of statistics (or equivalent) typically report public spending contributing to environmental protection and resource management to Eurostat, on an annual basis, following the [CEPA](#) and [CReMA](#) lists of activities. This practice, together with governance arrangements leading to the annual reporting of environmentally friendly spending, can serve as a starting point for the development of green budgeting. Similarly, frameworks for issuing and reporting on sovereign green bonds used by some Member States can provide a basis for the development of green budgeting. Overall, fostering the convergence of these different green practices and green budgeting can increase the consistency of public budgets with climate and environmental targets.

**For green budgeting results to inform the alignment of the national budget with a country's green goals, the tagging methodology should be based on national climate and environmental strategies.** Thanks to [National Energy and Climate Plans](#) (NECP) requirements and [EC support to develop Long-Term Strategies](#) (LTS), many Member States are equipped with detailed climate and environmental plans. For green budgeting results to help steer decision-making, tagging methodologies should inform whether budget items are aligned with the country's climate and/or environmental strategy, highlighting measures that make a positive contribution to green objectives and those that need to be reformed. Taking the example of climate mitigation objectives, the national strategy determines the energy mix or emissions level of new vehicles suitable to achieve climate and environmental objectives, and associated timeframes. On this basis, a green tag means 'complies with the national strategy', a light green tag means 'contributes to emissions reductions but presents a risk of lock-in<sup>10</sup>', and a brown tag means 'does not comply with the national strategy'. For example, in France, investment in new diesel buses is tagged as a 'light green' item because, even if it contributes to reducing emissions compared to individual fossil-based transportation, it comes with a risk of technological lock-in. Additional tags can be used to indicate that the measure is neutral towards the objective, that the measure has an ambiguous effect on green objectives that depends on the context, or that the contribution of the measure has not been

assessed due to lack of information. These distinctions may be useful to identify where to focus efforts for later green budget tagging exercises.

**Consolidated public finance management and budgeting practices at Member States level facilitate green budgeting implementation and increase its robustness.** Thanks to past EU support and exchange of practices between Member States, fewer countries have gaps in their budgeting processes and accounting. Roles, responsibilities, financial constraints, and timelines for budgeting are generally well-defined, allowing to identify when and who could carry out green budgeting activities. With some exceptions, the budgets of Member States are presented in a relative clear manner, providing a basis on which to implement green budget tagging. Moreover, coordination between budget departments and line ministries already exists within Member States, allowing for information on the environmental content of budget items to circulate. Finally, several Member States already have performance budgeting or other systematic evaluation of budget process in place. Such processes can support the development of green budgeting practices and their integration in the budgetary cycle, with the aim to help align budgets with national climate and environmental goals, instead of using green budgeting tools only for reporting purposes. For example, Greece has introduced a green dimension in its performance budgeting framework in 2020, which includes a green spending review and a pilot for green budget tagging. Public financial management or budgeting reforms are typically good opportunities for the introduction of green budgeting.

**A lively ecosystem of Civil Society Organisations (CSOs) interested in green budgeting in the EU encourages Member States to increase the robustness and transparency of green budgeting.** Over 30 CSOs from various EU Member States, principally think tanks focusing on public finance issues, have expressed interest in building their capacity on green budgeting since 2021, and have indeed joined a communication network on the topic led by I4CE. Exchanges between Member States and CSOs at key moments of green budgeting exercises will ensure both the methodology and results become more robust and transparent over the years, ultimately contributing to increasing the usefulness of green budgeting.

<sup>10</sup> Lock-in occurs when investments are made in technologies or infrastructures with long life spans that might improve the state of the environment or climate in the short-term but will not be sufficient to achieve long-term climate and environmental objectives.

## Remaining challenges

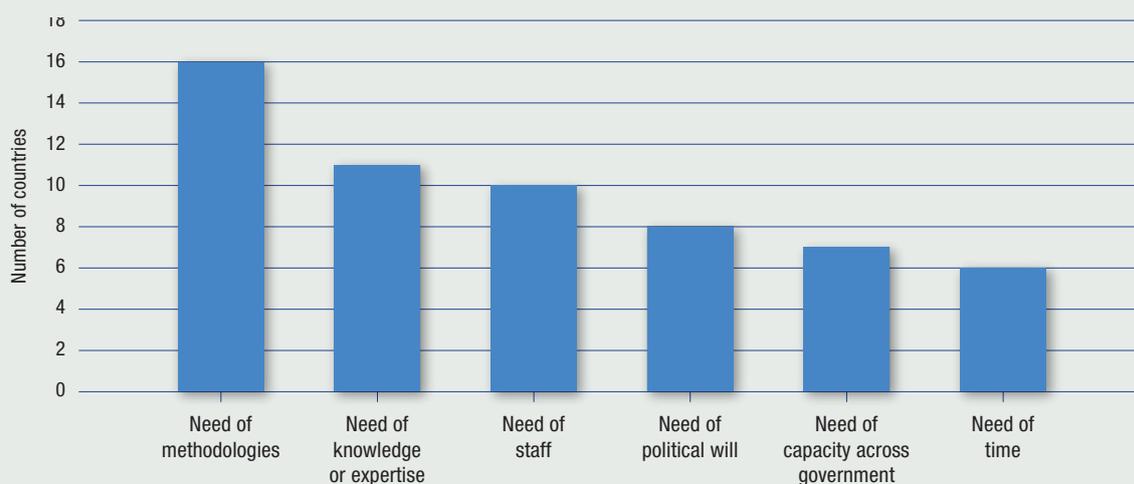
### Technical challenges

**The granularity of budgetary data needs to be improved to enhance the robustness of green budgeting and support the use of other tools such as environmental impact assessment.** It is regularly observed that too little information is available on budget items to clearly tag them as green or brown. Ensuring that Member States increase information levels on budget items over time, by requesting more information from line ministries and project holders, could accelerate progress towards advanced levels of green budgeting.

**Developing their own green budgeting methodology can appear challenging for Member States (see Figure 4), but this is a key condition for the exercise to be effective.** Indeed, applying a ready-made methodology will only reveal

environmental improvements in the budget compared to a baseline, therefore informing the alignment of the budget with green goals at the margin. On the contrary, applying a national tagging methodology based on each country's specific green goals and pathways will ensure green budgeting shows the consistency (or inconsistency) of the budget with national climate and environmental goals. Thereby, green budgeting will provide information on how to increase the alignment of the budget. As a starting point, countries can develop a tagging methodology on a subset of their budget, ideally on a sector which has a strong impact on the climate such as transportation or buildings. This pilot can then be developed and expanded over time to cover more sectors. Overall, while developing a full national methodology for green budgeting can take up to a year, it is the bulk of green budgeting related work. Once the methodology is in place, implementing green budgeting requires less efforts.

**FIGURE 4. KEY CHALLENGES FOR THE IMPLEMENTATION/ENHANCEMENT OF GREEN BUDGETING IDENTIFIED BY MEMBER STATES**



Source: European Commission 2023.

@I4CE\_

**Note:** This graph records challenges perceived by respondents to the European Commission survey on green budgeting. 'Need of methodologies' reflects requests by some Member States for a common methodology. It also captures the current lack of national methodology in some countries.

## Institutional challenges

**Political willingness to embark on green budgeting at the Member States level is often weak. Yet, it is critical to ensure the exercise is effective.** The EU Green Budgeting Reference Framework and capacity building schemes display the benefits of the implementation of green budgeting to technical teams in finance and environment ministries, and to some extent to decision-makers. On this basis, technical teams can lay out the case for national green budgeting to convince decision-makers to embark in the initiative and provide the necessary resources. Building technical capacity

for green budgeting, preparing the administrative structures, and developing green budgeting pilots raises awareness on green budgeting which may give impetus to stronger political support.

**Green budgeting should be implemented under the stewardship of finance ministries, and roles and responsibilities across line ministries should be clearly defined.** A dedicated small inter-ministerial task force led by the Ministry of Finance, composed of people whose

responsibilities pertain to different aspects of green budgeting (e.g., role in preparing the budget, role in assessing environmental policies) can allow the systematic and rigorous centralisation of information, limiting the risk of subjective decisions being made by line ministries or people less familiar with the tagging methodology. Over time, training line ministries on the tagging methodology and assigning them tagging responsibilities will further foster the consideration of climate and environmental targets in the preparation of the budget. A taskforce can also facilitate the harmonisation of different green budgeting methodologies, green reporting practices, or green bonds issuance processes across departments. Further, it can help reconcile two tagging methodologies, as can currently be seen in Ireland where one methodology is in use to tag fiscal revenue and another one to assess public expenditure.

**Processes need to be adapted or developed to ensure that green budgeting is well integrated in the regular budget cycle.** Ideally, green budgeting should inform the planning, preparation, approval, execution, and oversight of the budget. This will ensure that green budgeting can help align the budget and government policies overall with climate and environmental objectives rather than being used solely for reporting purposes. In Cyprus for example, discussions on the introduction of green budgeting take place in parallel to discussions on the introduction of performance budgeting. Combining green budgeting and performance budgeting processes can streamline the use of green budgeting results in the preparation and reporting phases of the budget cycle.

**If countries want to know how much public funding is needed to achieve climate and environmental targets, then they should complement green budget tagging with a financing plan for the green transition.** Green budget tagging can provide a clear picture of the share of a national budget allocation that is aligned, or runs counter, with national climate and environmental goals. This information can inform reforms of budget measures, especially those items which need to be reformed, namely items tagged as “brown”, or “green with a risk of technological lock-in”. However, one of the main limitations of green budget tagging is that it does not provide information as to how much public funding should go to activities related to the transition to a low-carbon, resilient, and sustainable economy. To this end, Member States could develop comprehensive financing plans for the transition which would include estimates of climate and environment investment needs, an overview of the public policies needed to trigger these investments, and projections of their impact on public finances. Green budget tagging can highlight brown budget items (e.g., fiscal expenditure such as fossil fuel subsidies or carbon tax exemptions) to remove to free fiscal space, or from which to redirect funds towards green measures. Additional resources can be mobilized through other green budgeting practices such as the implementation of carbon pricing instruments or the issuance of green bonds. A financing plan for the transition would also provide an integrated perspective on the means to cover additional spending needs, the expected macroeconomic implications of the transition, and could indicate potential green public financial management reforms to be undertaken.

## CONCLUSION

Currently, the budgets of Member States are far from being green, and in fact often finance measures that impede progress towards climate and environmental objectives (e.g., fossil fuel subsidies). The implementation or further development of green budgeting by Member States will foster discussions on areas of budgets that need to be reformed (environmentally harmful items) and areas which should receive a larger share of public funds (green items, in the sense that they are consistent with national climate and environmental roadmaps).

Member States are in a good position to implement national green budgeting exercises, benefitting from EU momentum on climate and environmental issues (with the enactment of the EU Green Deal, the Fit-for-55 package, the EU Taxonomy, the EU Green Budgeting Reference Framework) and momentum for strengthening of budgeting practices (uptake of performance budgeting, fiscal reform, etc). Yet, challenges pertaining to data availability, methodology development, political will, and institutional processes need to be overcome to ensure the robustness and good governance of green budgeting, as well as its integration in the regular budgeting process and in political debates. Exchanges with practitioners, the early development of green budgeting capacity within administrations, and green budgeting pilots can help address current challenges. The careful implementation of green budgeting is key to ensure it is used as a decision-making tool, to help align budgets with national climate and environmental objectives, rather than being used solely for reporting purposes.

Green budget tagging provides a clear picture of the share of a national budget that is aligned, or runs counter, with national climate and environmental targets. This information can inform reforms of budget items, especially those items which need to be removed or redirected, namely items tagged as brown or “green with a risk of technological lock-in”. Green budget tagging does not provide information on how much public funding is needed to achieve climate and environmental targets, but this purpose can be served the development of a national-level financing plan for the transition, including estimates of investment needs and policy lever to mobilise.

# ANNEX

**TABLE 1. OVERVIEW OF THE EU GREEN BUDGETING REFERENCE FRAMEWORK**

Elements		Levels		
		Basic	Intermediate	Advanced
Coverage	Environmental objectives	<ul style="list-style-type: none"> <li>Climate objectives</li> </ul>	<ul style="list-style-type: none"> <li>Climate objectives</li> <li>Other environmental objectives</li> </ul>	All environmental objectives <sup>11</sup> (cf: EU Taxonomy Regulation)
	Budgetary items	<ul style="list-style-type: none"> <li>Favourable items (revenue &amp; expenditure)</li> </ul>	<ul style="list-style-type: none"> <li>Favourable items</li> <li>Unfavourable items</li> </ul>	<ul style="list-style-type: none"> <li>Favourable items</li> <li>Unfavourable items</li> <li>Tax expenditure</li> </ul>
	General government	<ul style="list-style-type: none"> <li>Central government</li> </ul>	<ul style="list-style-type: none"> <li>Central government</li> <li>Sub-national governments</li> </ul>	<ul style="list-style-type: none"> <li>Central government</li> <li>Sub-national governments</li> <li>Other (e.g., state-owned enterprises)</li> </ul>
Methodology		<ul style="list-style-type: none"> <li>Green budget tagging</li> </ul>	<ul style="list-style-type: none"> <li>Green budget tagging</li> </ul>	<ul style="list-style-type: none"> <li>Green budget tagging</li> <li>Ex-ante impact assessment of policies</li> <li>Ex-post evaluation of policies</li> </ul>
Deliverables		<ul style="list-style-type: none"> <li>Presentation in annual budget</li> <li>Presentation in execution report</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> </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>Extra-budgetary entities reports</li> </ul>
Governance of		<ul style="list-style-type: none"> <li>Ad-hoc central taskforce</li> </ul>	<ul style="list-style-type: none"> <li>Permanent central structure</li> </ul>	<ul style="list-style-type: none"> <li>Permanent central structure</li> <li>Green budgeting representatives in line ministries</li> </ul>
Transparency and accountability		<ul style="list-style-type: none"> <li>All deliverables public</li> <li>Independent evaluation of methodology</li> </ul>	<ul style="list-style-type: none"> <li>All deliverables public</li> <li>Independent evaluation of methodology</li> <li>Independent evaluation of deliverables</li> <li>Parliamentary discussion</li> </ul>	<ul style="list-style-type: none"> <li>All deliverables public</li> <li>Independent evaluation of methodology</li> <li>Independent evaluation of deliverables</li> <li>Parliamentary discussion</li> <li>Ex-post review</li> </ul>

Source: European Commission.

<sup>11</sup> Climate change mitigation, climate change adaptation, sustainable use and protection of marine resources, transition to a circular economy, pollution prevention and control, protection and restoration of biodiversity and ecosystems.

**TABLE 2. MEMBER STATES PARTICIPATING TO THE EU GREEN BUDGETING TRAINING**

Requesting Member State	Number of modules	Represented institutions	Budget sector of focus during module 2	Already has green budgeting / public commitment for implementation?
Austria	1 (module 3 forthcoming)	Ministry of Finance, Ministry for Climate Action	Research and Development	Yes
Belgium	3	Brussels Capital Region; Walloon Region; French speaking community; Flanders; FPS Health, Food chain safety and environment; High Council of Finance; FPS Finance (research department and treasury); FOD BOSA	Infrastructure	No
Bulgaria	3	Ministry of Finance, Ministry of Environment	Energy	No
Croatia	3	Ministry of Economy, Ministry of Finance, Ministry of Sea Transport and Infrastructure, Bureau of Statistics	Transport	No
Cyprus	3	Ministry of Finance, Ministry of Agriculture, Ministry of Transport, Ministry of Energy	Department of Environment in the Ministry of Agriculture	Yes, plans for implementation
Czech Republic	2	Ministry of Finance, Ministry of Environment	Transport and Agriculture	Yes, plans for implementation
Denmark	2	Ministry of Finance, Ministry of Environment, Ministry of Agriculture	Agriculture	Yes
Estonia	3	Ministry of Environment, Ministry of Finance, Ministry of Economic Affairs and Communications	Energy and transport	No
Finland	1	Ministry of Finance	N/A	Yes, tagging and environmental impact assessment of selected budget items
Greece	2	Ministry of Finance, Ministry of Environment	Ministry of Environment and Energy	<ul style="list-style-type: none"> <li>• Greening the performance budget (Explanatory Reports and APS for 2021 and 2022)</li> <li>• Joint Working Group of the Ministry of Economic Affairs and Energy</li> <li>• Cooperation with the OECD</li> </ul>

**TABLE 2. MEMBER STATES PARTICIPATING TO THE EU GREEN BUDGETING TRAINING (suite)**

Requesting Member State	Number of modules	Represented institutions	Budget sector of focus during module 2	Already has green budgeting / public commitment for implementation?
Hungary	3	Ministry of Finance, Ministry of Agriculture, Hungary National Bank	Agriculture	No
Ireland	3	Department of Finance, Department of Public Expenditure and Reform	N/A (module adapted)	Yes, advanced green budget tagging in place. See DFIN and DPER documents for more information
Italy	3 (forthcoming)	Ministry of Finance, Ministry of Environment	Forthcoming	Yes
Latvia	3	Ministry of Finance, Ministry of Environmental Protection and Regional Development, Ministry of Transport, Ministry of Economy, Ministry of Treasury, Ministry of Agriculture	Agriculture	No
Lithuania	2 (module 3 forthcoming)	Ministry of Finance, Ministry of Environment, Ministry of Culture, Ministry of Transport	Culture and Transport	Yes, plans for implementation
Luxembourg	3	Inspectorate of Finance, Ministry of Finance	Transport	Yes, tracking of budget expenditure contributing to the National Energy and Climate Plan
Malta	3	Ministry of Finance (Budget and Economic Policy offices), Ministry of Transport and Infrastructure, Ministry of Environment, Climate Change and Planning	Infrastructure	No
Poland	3	Ministry of Finance, Ministry of Climate	Ministry of Infrastructure	No
Portugal	3	Ministry of Finance, General Direction of Budget, Budget Framework Implementation Unit (UniLEO), Fiscal and Customs Authority, Secretary General of the Environment and Climate Action, Ministry of Agriculture	Ministry of Agriculture	Yes, tracking of green investments and finance flows
Romania	3	National Institute of Statistics, Ministry of Energy, Ministry of Finance, Ministry of Environment, Water and Forests, General Secretariat of the Government	Ministry of Energy	Yes, plans for implementation

**TABLE 2. MEMBER STATES PARTICIPATING TO THE EU GREEN BUDGETING TRAINING (suite)**

Requesting Member State	Number of modules	Represented institutions	Budget sector of focus during module 2	Already has green budgeting / public commitment for implementation?
Slovakia	2	Ministry of Justice, Supreme Audit Office, Ministry of Investments, Ministry of Transport, Office for Public Procurement, Antimonopoly Office, Council for Budget Responsibility, Ministry of Defence, Government Office, Ministry of Environment, Ministry of Finance	Ministry of Economy	No
Slovenia	3	Ministry of Finance, Ministry of Environment, line ministries	Transport and transport infrastructure	Past P3 green budget reform plan for green budgeting implementation, plan for implementation in 2023
Spain	3	Ministry of Finance, Ministry of Transport, Ministry of Ecological Transition, Ministry of Economy, Autonomous communities	Transport	Yes, implementation as of 2023

Source: I4CE, Expertise France, European Commission 2023.

---

**I4CE** is a non-profit research organisation that provides independent policy analysis on climate change mitigation and adaptation. We promote climate policies that are effective, efficient and socially fair. Our 40 experts engage with national and local governments, the European Union, international financial institutions, civil society organisations and the media. Our work covers three key transitions – energy, agriculture, forests – and addresses six economic challenges: investment, public financing, development finance, financial regulation, carbon pricing and carbon certification.

---



**INSTITUTE FOR CLIMATE ECONOMICS**  
30 rue de Fleurus - 75006 Paris

**[www.i4ce.org](http://www.i4ce.org)**  
Contact: [contact@i4ce.org](mailto:contact@i4ce.org)

Follow us on

