



ROMÂNIA DURABILĂ

Dezvoltarea cadrului strategic și instituțional pentru implementarea Strategiei Naționale pentru Dezvoltarea Durabilă a României 2030

Administrație publică pentru dezvoltare durabilă

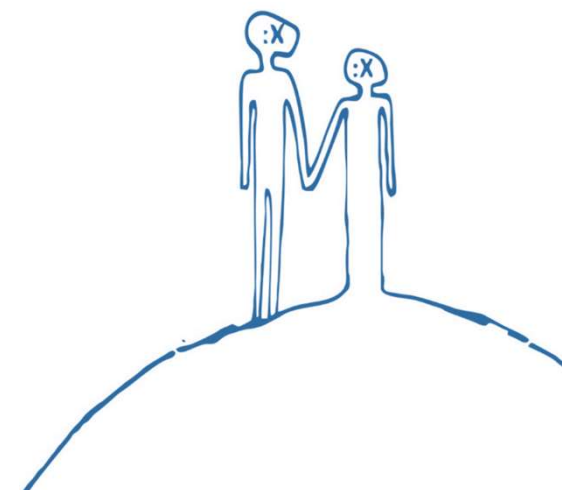
- Program de studii postuniversitare de formare și dezvoltare profesională continuă, înregistrat în Registrul Național al Programelor Postuniversitare cu nr. 338.
- Ocupația/ Grupa de bază din COR pentru care se organizează programul postuniversitar: "expert dezvoltare durabilă", cod COR 242232.
- Organizator: Academia de Studii Economice din București

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Bugetare verde, bugetarea obiectivelor de dezvoltare durabilă

- Modul 2. **Dimensiunea economică a dezvoltării durabile**
 - Tema 4. **Măsurarea dezvoltării durabile.**

Material realizat de lector **Chloé Boutron**, The Institute for Climate Economics (I4CE).



I4CE

INSTITUTE FOR
CLIMATE
ECONOMICS

Une initiative de la Caisse des Dépôts et
de l'Agence Française de Développement

Green budgeting – concept, main practices and methodology

Romania Public Administration for Sustainable Development training

Chloé Boutron – Institute for Climate Economics (I4CE)

June 20th, 2022



Welcome

Training team



Chloé Boutron

The Institute for Climate Economics (I4CE)

chloe.boutron@i4ce.org

Expertise in:

- Green budgeting and green budget tagging methodology (*training of EU Member States, 11 modules to date*)
- Public finance implications of the transition to a low-carbon, resilient economy (*development of tools at the intention of finance ministries worldwide*)
- Environmental taxation, design and behavioral effects

Institute for Climate Economics (I4CE)

I4CE FIGURES



31 
Team members

50+ 
Events annually

20+ 
Publications annually

9000+ 
Twitter followers

+7300 
Newsletter subscribers

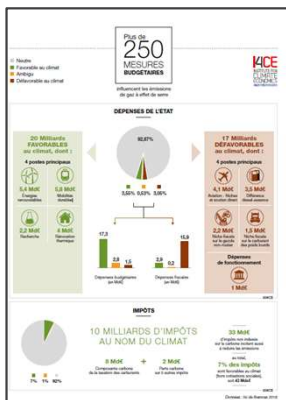
400+ 
Press articles

OUR MISSION

The Institute for Climate Economics is a think tank with expertise in economics and finance whose mission is to support action against climate change. Through its applied research, the Institute contributes to the debate on climate-related policies. It also publicizes research to facilitate the analysis of financial institutions, businesses and territories and assists with the practical incorporation of climate issues into their activities.

Experience with green budgeting

- Training for 23 EU Member States
- Development of green budgeting methodology for the French state budget (2019)
- Development of green budgeting methodology for local and regional actors in France
- Review of green budgeting exercises (national, international, local)
- Development of a social layer for green budget tagging



French budget
[*\(I4CE, 2019\)*](#)



With LRAs
[*\(I4CE, 2021\)*](#)



International review
[*\(I4CE, 2021\)*](#)

Lecture overview

- Introduction: using public budgets to achieve environmental objectives 13.05 – 13.20
- What is green budgeting? Presentation and different practices 13.20 – 14.00

Quiz and short break

- International practices: supporting institutions, international practices, the French experience 14.15 – 15.15

Quiz and short break

- Green budgeting in practice: data, methodology, application 15.30 – 16.30

Quiz

- Conclusion, Q&A 16.30 – 17.00



Introduction: using public budgets to achieve social and environmental objectives

1.05pm-1.20pm

Why focus on public budgets?

- The **state budget** correspond to **1/4th to 1/2 of GDP** in most countries → It is the **main driver of public action** (policies, programs, regulations...)
- Therefore, public budget **offers a comprehensive view of government actions.**
- **Voting** the state budget: key political moment, **sets policy orientations** for year to come and later years → **can enable climate action.**
- **Drafting** the budget while **keeping in mind social/environmental priorities** (i.e. allocating resources based on whether pursue such goals) → **enables or facilitates achieving such goals.**

Why focus on public budgets?

- True **regardless of budgeting system** (program based, activity based, performance budgeting..) → there is always a **framework document guiding budget making**.
- With this in mind, **public budgets have been used to achieve targeted social outcomes**:
 - gender budgeting,
 - poverty budgeting,
 - family budgeting,
 - SDG budgeting,
 - climate budgeting
- There are **numerous resources** on these matters, though often still in development.

Challenges and solutions

- Using public budgets to achieve social or environmental objectives can be challenging:
- **Officials** involved in budgetary decision making are **not always familiar** with specific **environmental contexts, challenges, goals, policies**.
 - They **can benefit from interactions with line ministries** to gather knowledge and information on relevant matters. **Framework documents** can be developed to help orient their work, **Methodologies can be developed by issue experts**.
- The **structure** (disaggregation of information) **and details** (specific objective pursued, spillover effects) **of budget items does not always allow to understand impact on environmental dimensions**.
 - **Methodologies** specific to the budget structure and level of details **can be developed to mitigate uncertainty**. **Data management can be improved** over time to satisfy methodological requirements.

What is green budgeting?

Concept and definition



- **Using public budgets to achieve climate/environmental objectives.**
- **Umbrella term** for a relatively large array of **public finance management practices that incorporate environmental considerations** in traditional PFM/budgeting practices.

Actors supporting the development of green budgeting

- OECD
- Paris collaborative on green budgeting
- UNDP
- CFCA
- EU Commission
- At the local level: C40, I4CE, Energy Cities, France Urbaine...



Presentation of the different practices recorded by international organizations

	Ex ante or Ex Post Environmental Impact Assessments (individual measures)	Environmental Cost Benefit Analysis (individual or all measures)	Carbon Assessments	Carbon pricing instruments (including fuel and carbon taxation, emissions trading systems)	Environmental tax reform	Ex ante or Ex Post green budget tagging	Using a shadow price of carbon	Regular review of environmentally harmful tax expenditures and subsidies	Statistical green tagging/reporting	Green perspective in spending review	Inclusion of climate considerations in long-term fiscal sustainability analysis	Green perspective in performance setting or performance budgeting	Environmental audit or validation of the budget	Biodiversity/Ecosystem pricing	Green balance sheet
Austria	■		■												
Canada	■	■		■				■	■						
Colombia	■	■	■	■	■	■					■				
Denmark	■	■	■		■		■			■					
France	■	■	■	■		■	■	■	■						
Ireland	■	■	■	■	■	■	■			■		■			
Italy	■	■	■			■			■						
Luxembourg						■									
Mexico						■									
Netherlands	■	■	■	■	■			■			■				
Norway	■	■	■	■	■	■	■		■						
Portugal	■			■	■										
Sweden	■	■	■	■	■		■								
United Kingdom	■	■	■	■	■		■	■		■	■	■			
Total	12	10	10	9	8	7	6	4	4	3	3	2	0	0	0

Details for each practice

<i>Ex ante or Ex Post</i> Environmental Impact Assessments (individual measures)	Regular review of environmentally harmful tax expenditures and subsidies
Environmental Cost Benefit Analysis (individual or all measures)	Statistical green tagging/reporting
Carbon Assessments	Green perspective in spending review
Carbon pricing instruments (including fuel and carbon taxation, emissions trading systems)	Inclusion of climate considerations in long-term fiscal sustainability analysis
Environmental tax reform	Green perspective in performance setting or performance budgeting
<i>Ex ante or Ex Post</i> green budget tagging	Environmental audit or validation of the budget
Using a shadow price of carbon	Biodiversity/Ecosystem pricing
	Green balance sheet

Green budget tagging

- Definition: **Comprehensive tagging of all budget lines** along **favorable/neutral/harmful** to the climate/environment; or more refined rating system.
- Scope and coverage:
 - **Expenditure, revenue, tax expenditure**
 - Several **environmental objectives** (climate change mitigation, climate change adaptation, biodiversity, water management..)
 - **State budget**, state agencies budgets, SOEs budgets
- **Provides a comprehensive view of the budget impact** on climate/environmental dimensions.
- **Builds evidence to trigger action** (removal of measures, justification for new, greener measures..)

Other

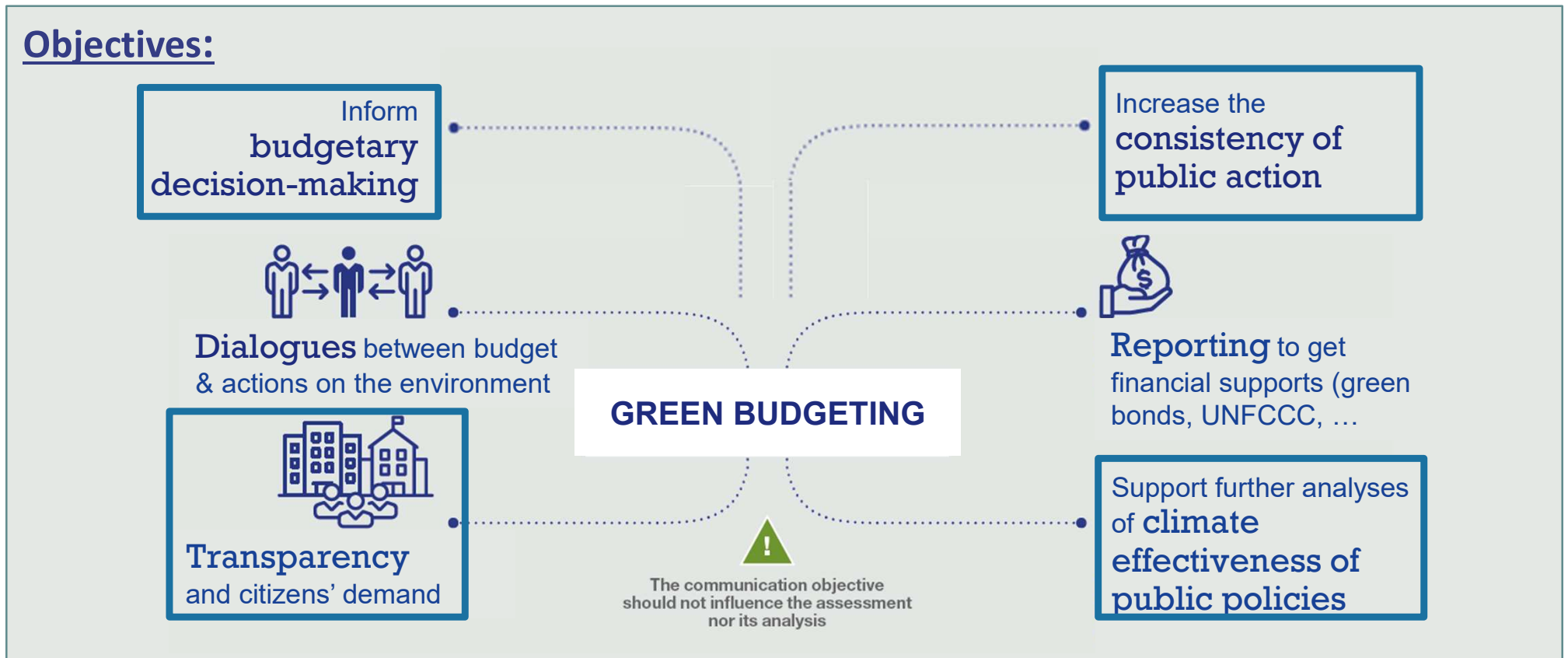


- CPEIR
- Climate Change Budget Integration Index (CCBII)
- Integrated Climate Change Financing Framework
- PEFA climate → institutional review also a part of green budgeting



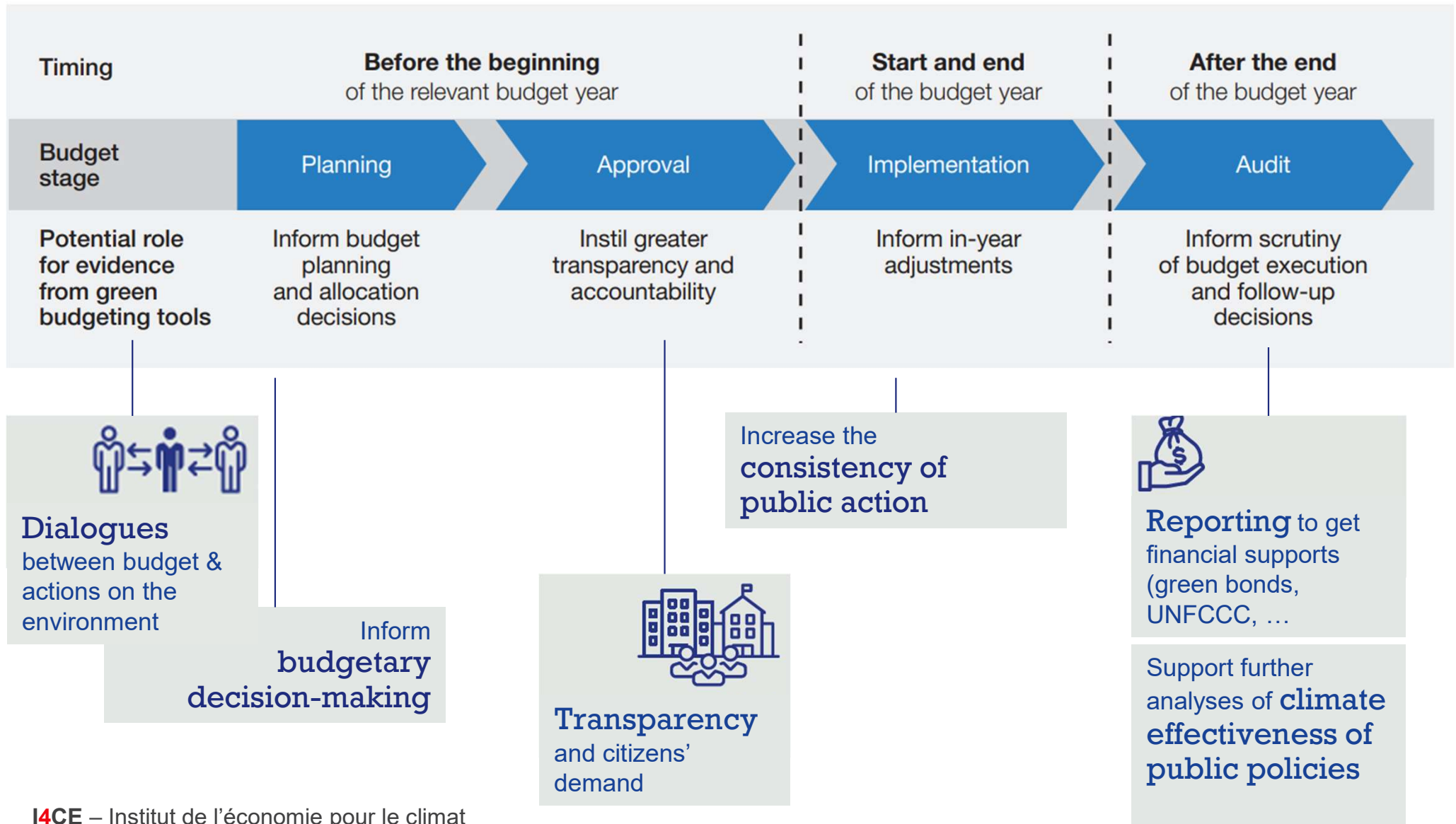
Comprehensive green budget tagging as a starting point for effective green budgeting

Green budget tagging on its own

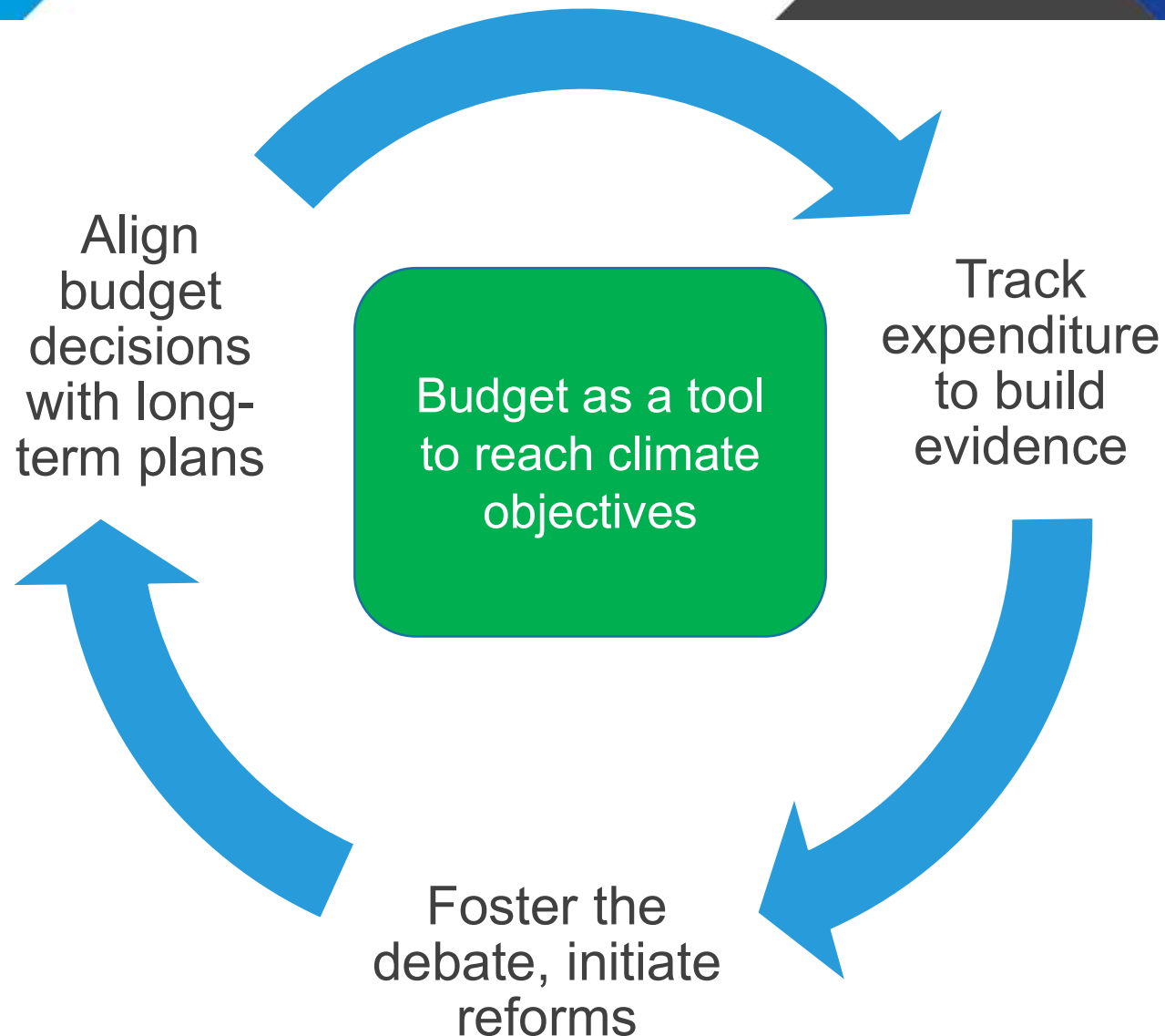


Green budget tagging can serve different objectives based on integration in the national budgetary process

Source: [I4CE \(2021\)](#) based on OECD (2)



From green budget tagging to green budgeting

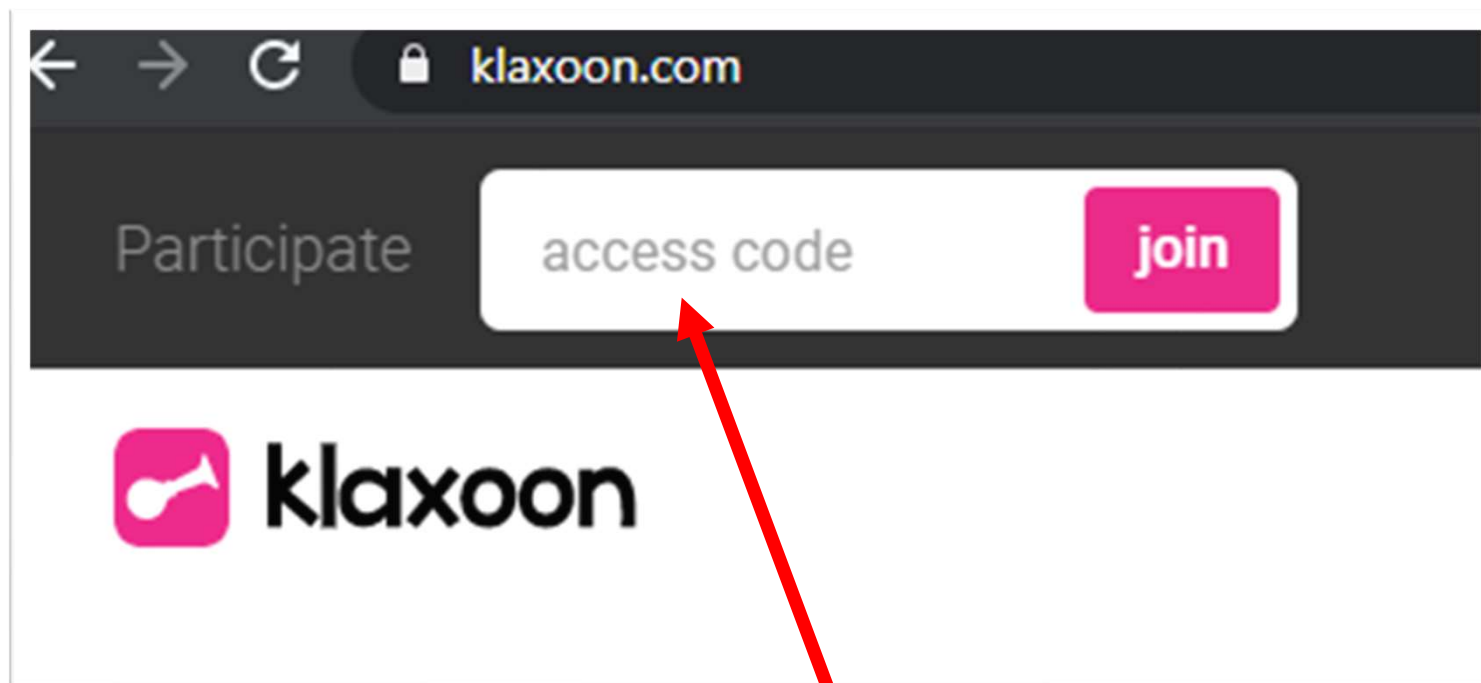


From green budget tagging to green budgeting

- **Green budget tagging**, once well in place, **can incorporate or lead to other green budgeting practices**:
 - Impact assessment,
 - Review of harmful subsidies,
 - Justification for environmental taxation,
 - Environmental cost benefit analysis..
- **To keep in mind**:
 - Can be a challenging exercise
 - Lengthy, resource intensive,
 - Strong methodological choices to be made,
 - Clear understanding of national climate/environmental policies needed,

→ **Approach by levels recommended.**

Quiz



HWPDHXS



Quiz and coffee break (15')

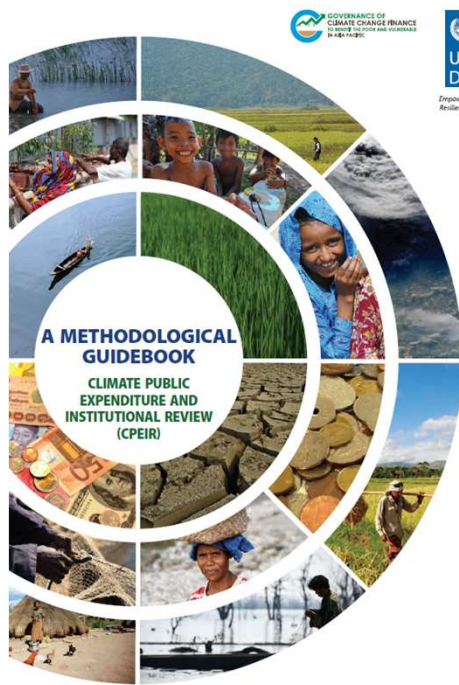
2pm-2.15pm

Green budgeting: international practices

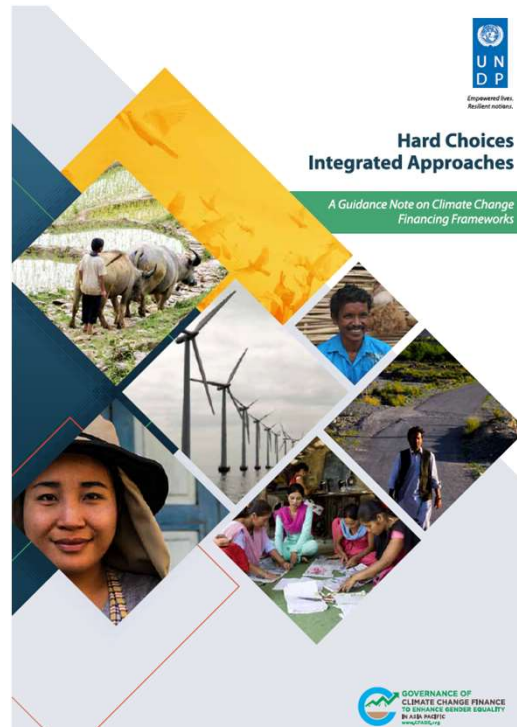
2.15pm-3.15pm



Presentation of institutions developing green budgeting tools and methodologies



(UNDP, 2015)



(UNDP, 2018)



(UNDP, 2019)

Other: CPEIR, Climate Change Financing Framework...

OECD



[\(OECD, 2021\)](#)

Other:



[\(OECD, 2021\)](#)



PARIS COLLABORATIVE ON GREEN BUDGETING

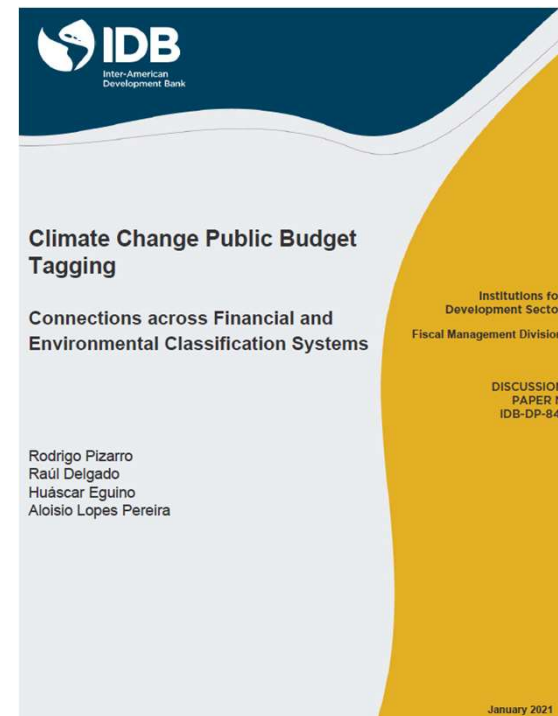
Green budgeting: from concept to action

oecd.org

World Bank, IDB

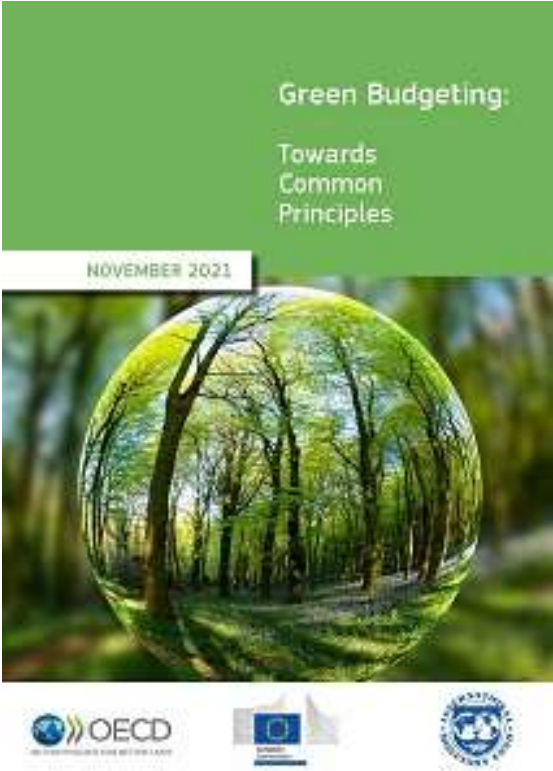


[\(World Bank, 2021\)](#)



[\(IADB, 2021\)](#)

European Union



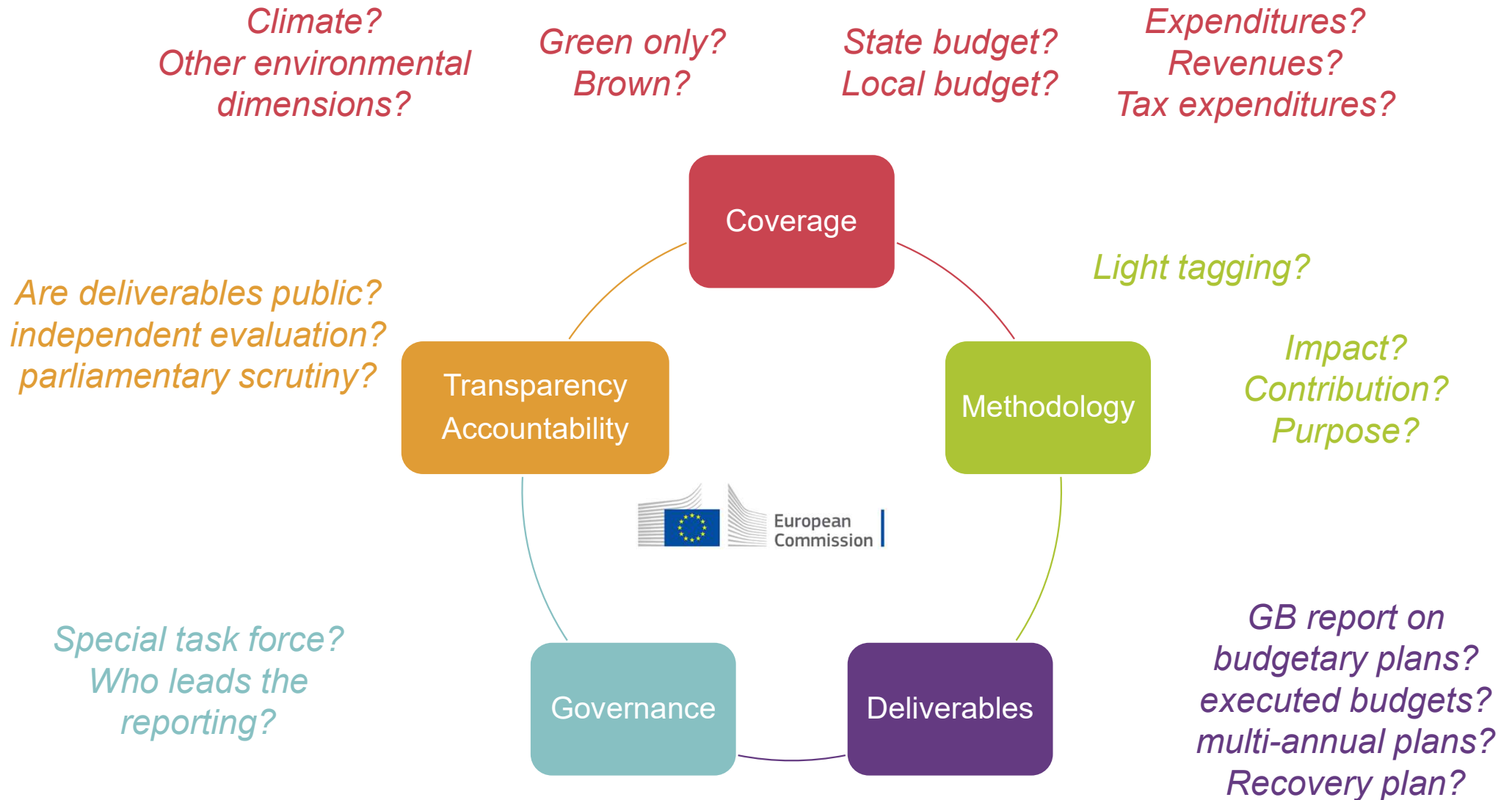
[\(EU, 2021\)](#)



[\(EU, 2021\)](#)

EU GBRF

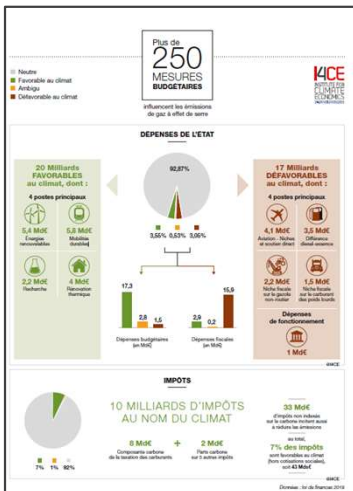
Green Budgeting Reference Framework



Source: [Green budgeting reference framework](#)

I4CE, C40, CCFLA, ...

National level:

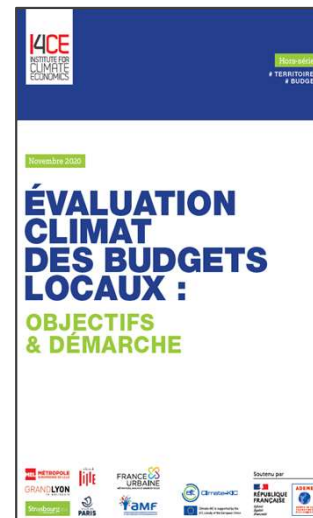


French budget
[\(I4CE, 2019\)](#)



International review
[\(I4CE, 2021\)](#)

Regional or local level:



With LRAs
[\(I4CE, 2021\)](#)

C40

CCFLA

Other



PEFALIA
PEFA CLIMATE ASSESSMENT REPORT

September 2020

[\(PEFA, 2020\)](#)



[\(financeministersforclimate.org\)](https://www.financeministersforclimate.org)



Overview of selected international green budgeting exercises

Different objectives pursued by different countries

Showcase national effort

1

To **facilitate access to international financing** by (a) identifying the funding gap on a regular basis, and (b) demonstrating government commitment and co-finance

2

To **reveal the extent of climate-budget links**: improve transparency, raise awareness on government action

Steer budgetary decisions

3

To **ensure the consistency of budgets** across ministries and with environmental action plans, report on national commitments

4

To **improve the effectiveness of spending**, facilitate trade-offs and the prioritization of expenses

To foster national ownership, the decision to start green budget tagging should be driven by national priorities.

([OECD, 2021](#))



Examples of GB exercises and their objectives

Name	Climate Budget Tagging	Date	Since 2012
Objective	<p><u>Objectives:</u></p> <ul style="list-style-type: none"> • Report financial flows • Build trust and accountability • Monitor trends and progress in climate-related investment. • Align climate finance with national CC policy • Determine financing gaps and policy review/adjustment needs • Increase awareness from policy makers <p><u>Other:</u></p> <p>Climate tracking is a component of a broader package of reforms to operationalize national climate change policies. It has a clear national focus.</p>		



Examples of GB exercises and their objectives

Name	Climate Public Expenditure Review	Date	Since 2012
Objective	<p><u>Objectives:</u></p> <ul style="list-style-type: none"> • Accountability and transparency • Integration of climate change into planning and budgeting • Mobilization of international funding <p><u>Other:</u></p> <p>Tagging is linked to the Cambodia Climate Change Strategic Plan (2014–2023) and sectoral climate change action plans.</p>		



Examples of GB exercises and their objectives

Name	CPEIR	Date	2018
Objective	<p><u>Objectives:</u></p> <ul style="list-style-type: none"> • Analysis of climate-related finance in Colombia, by all kinds of sources • Compliance with national MRV as required by UNFCCC • Identification of funding gaps, reallocation options, investment opportunities <p><u>Other:</u></p> <ul style="list-style-type: none"> • Tagging performed by line ministries • Viewed as significant burden in terms of monitoring and reporting. • Central authority unable to review the tags applied: the quality and robustness of the data is variable 		



Ecuador

Examples of GB exercises and their objectives

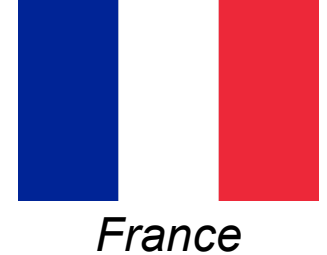
Name	Clasificador orientador de gastos	Date	2016
Objective	<p><u>Objectives:</u></p> <ul style="list-style-type: none">• verify alignment of program activities with strategic national targets• Facilitate the monitoring of budget execution. <p><u>Other:</u></p> <ul style="list-style-type: none">• Complements the existing equality classifier (gender, disability, migration, children, youth, and the elderly)		



Examples of GB exercises and their objectives

Name	CPEIR	Date	2014
Objective	<p><u>Objectives:</u></p> <ul style="list-style-type: none"> • Comprehensive assessment of baseline climate finance invested between 2011-2015 • Design a Climate financing strategy. <ul style="list-style-type: none"> ○ Analyze the relative contributions of government and nongovernment sectors ○ Forecast the balance between the flow of climate finance and future investment demand <p><u>Other:</u></p> <p>The tagging methodology was developed in the context of the national Climate-Resilient Green Economy Strategy and Ethiopia's NDC</p>		

Examples of GB exercises and their objectives



Name	State Budget environmental assessment	Date	2019
Objective	<p><u>Objectives:</u></p> <ul style="list-style-type: none"> • Enhance the transparency of environmental information • Support decision making, in line with the government's objective of greening the state budget • Comply with 0-brown commitment for France's RRF <p><u>Other:</u></p> <p>France's environmental assessment was published in the wake of the Yellow Vests crisis, which demanded greater transparency in the use of carbon tax proceeds.</p>		



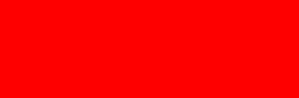
Ghana

Examples of GB exercises and their objectives

Name	CLIMFINTRACK	Date	2018
Objective	<p><u>Objectives:</u></p> <ul style="list-style-type: none">• Identify and track climate relevant interventions and associated expenditure• Enhance understanding of publicly funded climate action• Increase transparency on climate action <p><u>Other:</u></p> <p>Methodology derived from the CPEIR implemented in 2015</p>		

Examples of GB exercises and their objectives

Name	Clasificador de gastos publicos para el Clima	Date	2016
Objective	<p><u>Objectives:</u></p> <ul style="list-style-type: none"> • Implement the National Climate Change Strategy • Comply with UNFCCC reporting commitments <p><u>Other:</u></p> <p>Based on the country's CPEIR exercise (2016)</p>		



Examples of GB exercises and their objectives

Indonesia

Name	Climate Budget Tagging	Date	2016
Objective	<p><u>Objectives:</u></p> <ul style="list-style-type: none"> • Identify mitigation–related outputs in the budget • Evaluate activities that have been implemented • Identify the amounts financing CC-related interventions • Support the issuance of green Bonds and Green Sukuk • Possibly: earmark expenditures for a future carbon tax <p><u>Other:</u></p> <p>The budget tagging is framed in the context of the UNFCCC, the Paris Agreement, and the National Action Plan for Greenhouse Gas Emissions Reduction</p>		



Examples of GB exercises and their objectives

Name	Ireland's Green Budgeting	Date	2016
Objective	<p><u>Objectives:</u></p> <ul style="list-style-type: none"> • Increase transparency for government action on climate • Enhance effectiveness by providing better information • Support State Green Bonds by facilitating reporting <p><u>Other:</u></p> <p>Triple commitment towards GB:</p> <ul style="list-style-type: none"> • Member of OECD's Paris Collaborative on Green Budgeting • National Mitigation Plan includes MRV scheme for the Exchequer • Green Bond annual reporting requirements since 2018 		



Kenya

Examples of GB exercises and their objectives

Name	Climate Tracking Methodology Handbook	Date	2018
Objective	<p><u>Objectives:</u></p> <ul style="list-style-type: none"> • Build climate finance capacity • Coordinate resource mobilization • Track climate change expenditure • Promote evidence-based climate change policy formulation • Strengthen the accountability and transparency of public spending <p><u>Other:</u></p> <p>Required by the national Climate Change Act</p>		



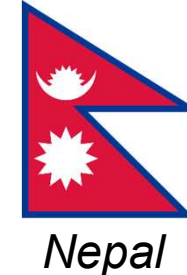
Examples of GB exercises and their objectives

Name	Transversal CC Annex (AT-CC)	Date	2013
Objective	<p><u>Objectives:</u></p> <ul style="list-style-type: none"> • Bring budgetary resources in line with the national priorities established in the national CC strategy • Contribute to programming public spending for fulfilling Mexico’s CC Strategy • Identify federal resources for mitigation and adaptation • Improve institutional capacity through the incorporation of CC variables in the definition of public spending. • Mainstream CC in the administration and reflect the co-responsibility and commitment of the different departments <p><u>Other:</u></p>		



Examples of GB exercises and their objectives

Name	Budget tagging methodology	Date	2016
Objective	<p><u>Objectives:</u></p> <ul style="list-style-type: none"> • Systematic identification of CC-related activities in the budget • Develop capacity for fund mobilization & management • Prioritize CC-related activities in sectoral budget proposals • Support the development of a climate-financing framework <p><u>Other:</u></p> <p>Tagging was introduced in the context of the National Climate Change Adaptation Strategy (2014). However, tagging has still not been incorporated into the budget process, neither for planning nor for reporting.</p>		



Examples of GB exercises and their objectives

Name	Climate Budget Tagging	Date	2012
Objective	<p><u>Objectives:</u></p> <ul style="list-style-type: none"> • Access international funds to finance CC activities • Identify the funding gap for climate action in each sector • Channel funds to where they are required • Support the development of a climate-financing framework <p><u>Other:</u></p> <p>Tagging is linked to</p> <ul style="list-style-type: none"> • the 2011 Nepal Climate Change Policy • the Twelfth National Development Plan (FY 2013/14–2015/16). 		



Examples of GB exercises and their objectives

Nicaragua

Name	Clasificador del gasto ambiental	Date	2017
Objective	<p><u>Objectives:</u></p> <ul style="list-style-type: none"> • Link expenditures allocated to climate change with the resource requirements identified in the national strategy • Optimize resource allocation • Identify policy objectives requiring additional funding • Mobilize domestic and international resources <p><u>Other:</u></p> <p>The environmental tag is linked to</p> <ul style="list-style-type: none"> • the National Environment and Climate Change Strategy (2010–2015) • the National Risk Management Plan (2010–2015) • the National Policy for Integrated Disaster Risk Reduction (2015). 		



Examples of GB exercises and their objectives

Name	Clasificador del gasto ambiental	Date	2017
Objective	<p><u>Objectives:</u></p> <ul style="list-style-type: none"> • Identify mitigation or adaptation benefits of current public expenditure • Plan future investments • Facilitate the realignment of departmental schemes to improve climate consistency • Predict future loss and damage under current adaptation and mitigation efforts • Standardize domestic and international climate action and expenditure reporting <p><u>Other:</u></p> <p>Framed under the State Action Plan on Climate Change 2018–23</p>		



Examples of GB exercises and their objectives

Name	Clasificador del gasto ambiental	Date	2017
Objective	<p><u>Objectives:</u></p> <ul style="list-style-type: none"> • Improve the government’s policy management capability • Strengthen monitoring • Influence budget allocations to align with climate change policy priorities. <p><u>Other:</u></p>		



Examples of GB exercises and their objectives

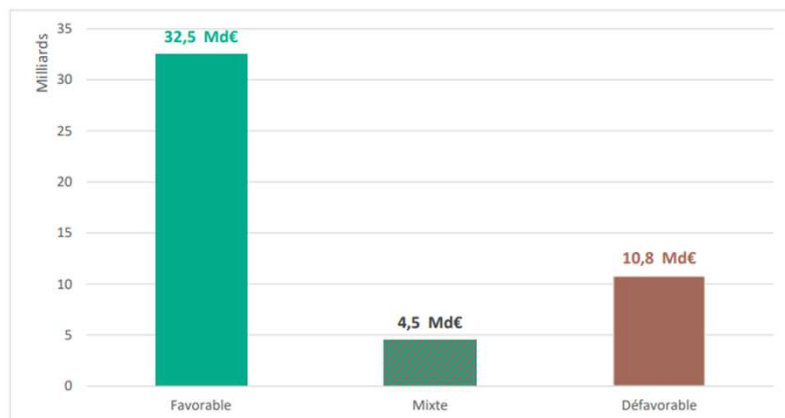
Name	Climate Change Expenditure Tagging	Date	2014
Objective	<p><u>Objectives:</u></p> <ul style="list-style-type: none"> • Lay a foundation for national climate budgeting <ul style="list-style-type: none"> ○ Identify and track climate responsive expenditure ○ Facilitate a discussion on performance ○ Provide a common framework to identify, prioritize, and monitor CC–related expenditures of national government agencies and local government units <p><u>Other:</u></p>		



The French green budget tagging

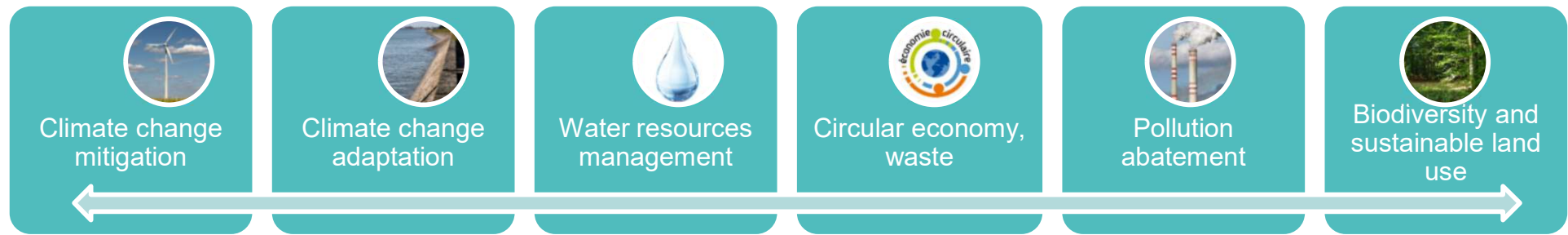
The French green budget tagging

- 2019: methodology developed by the Inspectorate of Finance
- Applied on project budget law every year.
- Published ahead of parliament discussions (most of the time).

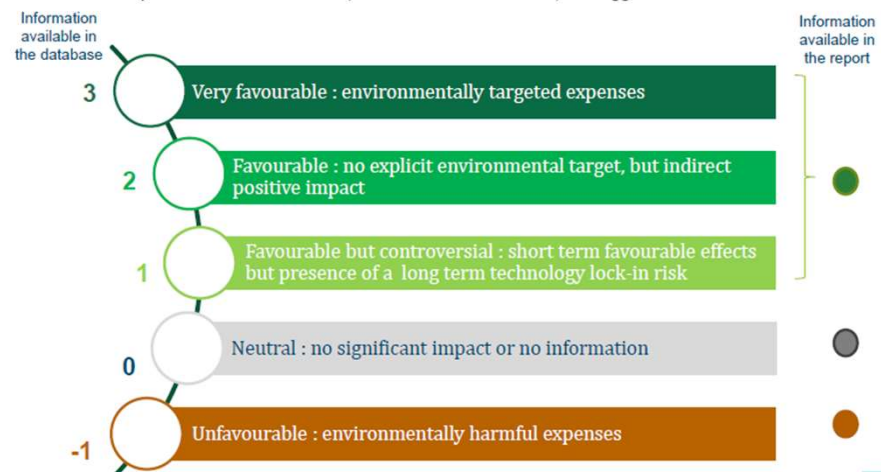


The French green budget tagging

- The methodology uses the 6 environmental dimensions of the European taxonomy of sustainable activities:



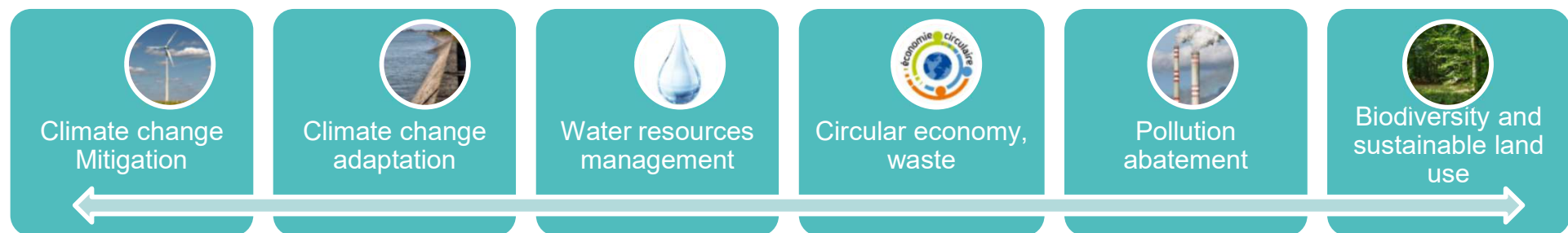
- Different **shades of green** to take into account the following considerations:
 - The **stated objective** vs. an **indirect positive impact**
 - Risks of lock-in** in the long-term



Items with mixed impact

An item may be considered with a mixed impact if it has a **positive effect on one or several environmental objective(s)** and a **negative effect on another one or several others**

Examples: based on the 6 environmental dimensions in the French green budget



New railway lines: mixed impact



In the medium term, these expenditures reduce the carbon footprint of mobility and transport, but their construction results in waste in the short term and land take that has a negative impact on biodiversity



Nuclear energy: mixed impact



Expenditures to support the nuclear activities are tagged as favourable for the Climate Objectives and unfavourable for the Waste Management Objective. The expenditures in favor of research for nuclear activities are tagged also as favourable for the Waste management objective.

Items with ambiguous impact

An item may be considered with an ambiguous impact if **its impact on the environment depends on the context and / or complementary measures**

Examples:

- When the impact depends on the type of energy used
- When the item encourages modal shift towards less polluting but currently fossil-fuel dependent means of transport



Gas-fuelled heating systems: ambiguous impact

Investing in gas-fuelled heating systems contributes to reducing emissions only if the gas is renewable (e.g. biomethane)



Electricity-fuelled vehicles: ambiguous impact

Supporting the electrification of transport only reduces emissions only if the electricity used to power transport is decarbonized (from renewable sources or nuclear energy)

Items with a neutral or unknown impact on the climate

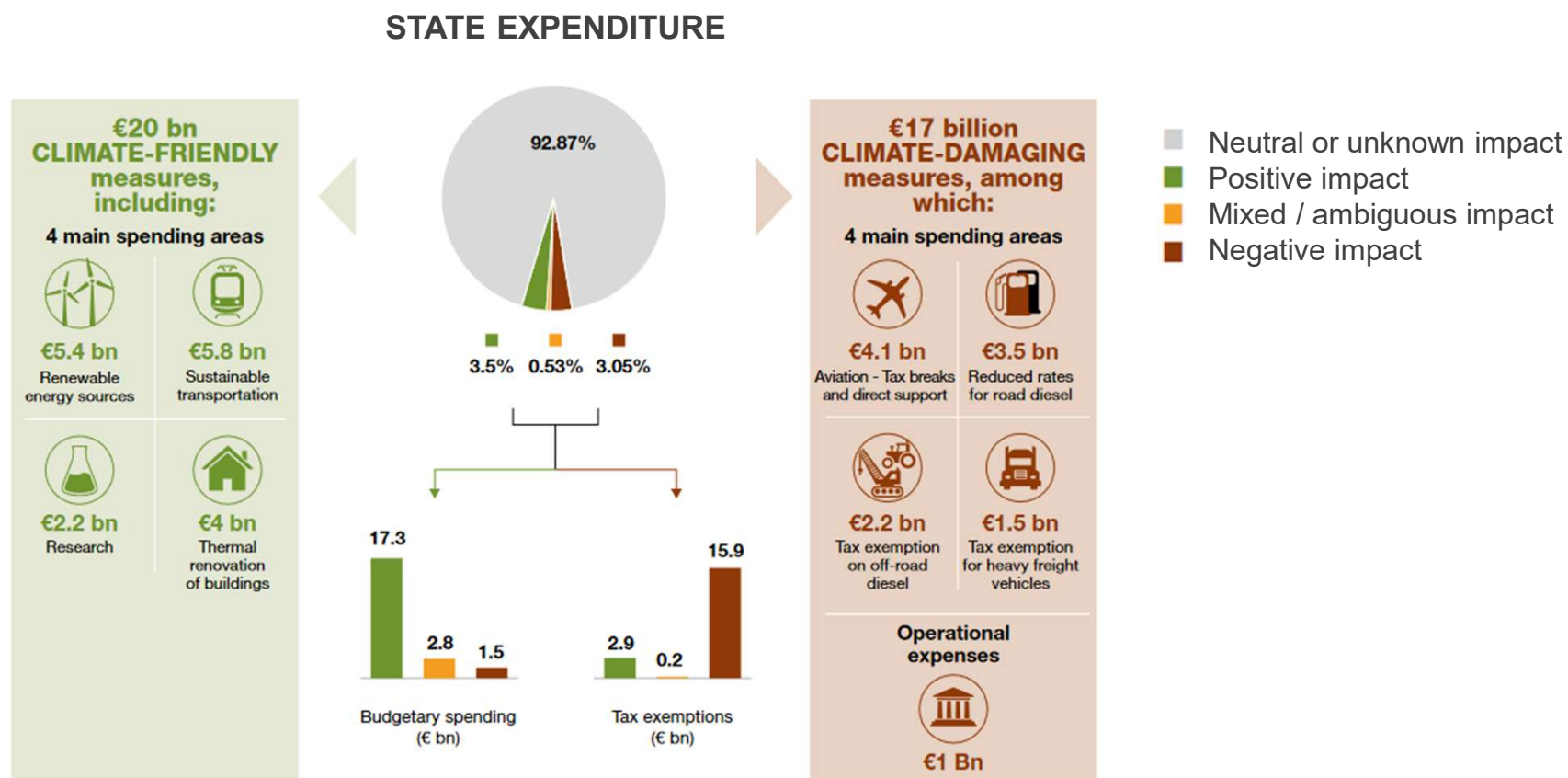
- An item is considered **neutral** if **it does not have any impact (positive or negative) on environmental objectives**
- Examples:
 - State-funded pensions
 - Unemployment benefits
- In some cases, **information to evaluate the impact of an item on the environment is lacking** : its impact is **unknown**
- Example:
 - Tax credits for research, when no other information is available

Some heated debates...

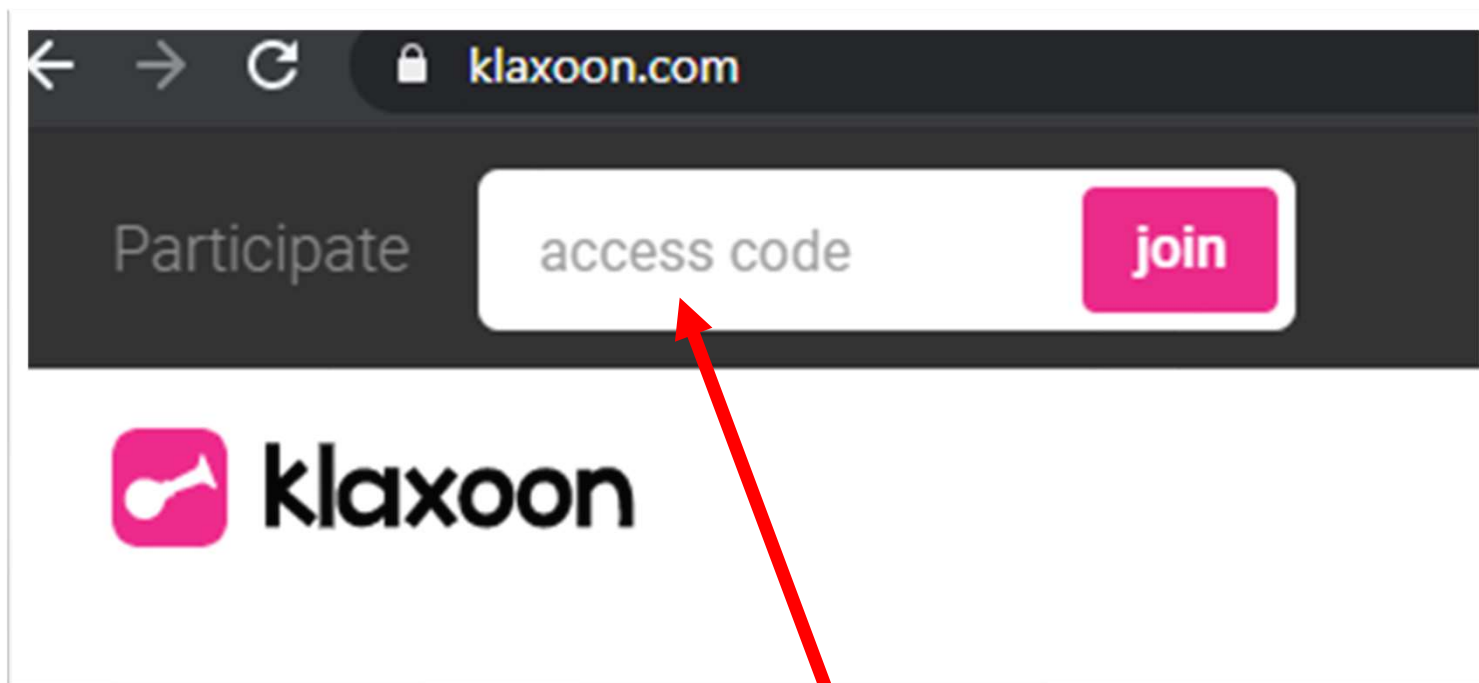
Natural gas	Gas-powered cars	Long-term potential for biogas? Which uses should be reduced in the short term?
	Gas-based electricity	
Transport	Diesel buses & trains	Non-substitutable alternative to individual transport Not sufficient for net-zero
	Road maintenance & new roads	Encouraging car use / cars are not an issue per se Reducing traffic jams
Agriculture	Support to organic agriculture	Less intrants, more fuel use, emission impacts unclear
	1 st and 2 nd generation biofuels	How to handle the induced land use substitution?
Other	Research	E.g. space research (climate data vs. fuel use)

Most of the expenditure in the French green budget is classified as neutral or unknown

According to I4CE's evaluation of the French budget, more than 90% of the State's expenditure is considered to have a neutral or unknown impact on the climate



Quiz



HWPDHXS



Quiz and coffee break (15')

3.15pm-3.30pm

Green budget tagging in practice

3.30pm-4.30pm

Process at glance



- 1: define the objective, scope and coverage of the exercise
- 2: assign roles and responsibilities
- 3: **develop a methodology**
- 4: tag the budget at previously agreed recurrence
- 5: publish the results and present them to relevant decision-makers
- 6: *receive external reviews on methodology, results*



Data requirements

Which type of data is needed?

Large perimeter, 4 criteria:

1. Include **all type of budgetary and fiscal measures** (expenditure, tax revenue, tax expenditure):
 - Taxes constitute a much larger share of measures with an environmental impact, and their impact is most often positive
 - Tax expenditure related to climate change often are fossil fuels subsidies
2. **Include negative measures:**
 - Understanding them will often help propose adaptations or complementary measures that will mitigate their impact (note: negative measures are rarely intentional, rather, they serve other objectives).
3. **Cover budgets from the state, public agencies, and SOEs if possible**
4. **Gather as detailed data as possible**

Data = arguably the most important element to conduct green budget tagging

Example

A	B	C	D	E	F	G	H	I	J	K	L
Type ligne	Base	Type Budget	Code mission	Mission	Code programme	Programme	Code action	Action	Code sous-action	Libellé	CP PLF 22 avec exceptions (hors T2CAS pour le T2CAS non neutre)
ACT	PLF2020	BG	AA	Action extérieure de l'État	P151	Français à l'étranger et affaires consulaires	151-02	Accès des élèves français au réseau AEFE	151-02	Accès des élèves français au réseau AEFE	95 754 393
ACT	PLF2020	BG	AA	Action extérieure de l'État	P105	Action de la France en Europe et dans le monde	105-02	Action européenne	105-02	Action européenne	61 009 164
ACT	PLF2020	BG	AA	Action extérieure de l'État	P185	Diplomatie culturelle et d'influence	185-05	Agence pour l'enseignement français à l'étranger	185-05	Agence pour l'enseignement français à l'étranger	416 928 726
ACT	PLF2020	BG	AA	Action extérieure de l'État	P185	Diplomatie culturelle et d'influence	185-01	Appui au réseau	185-01	Appui au réseau	40 173 406
ACT	PLF2020	BG	AA	Action extérieure de l'État	P105	Action de la France en Europe et dans le monde	105-04	Contributions internationales	105-04	Contributions internationales	635 418 341
ACT	PLF2020	BG	AA	Action extérieure de l'État	P105	Action de la France en Europe et dans le monde	105-04	Contributions internationales	105-04	Contributions internationales liées à des objectifs environnementaux	16 788 744
ACT	PLF2020	BG	AA	Action extérieure de l'État	P185	Diplomatie culturelle et d'influence	185-02	Coopération culturelle et promotion du français	185-02	Coopération culturelle et promotion du français	68 210 439
ACT	PLF2020	BG	AA	Action extérieure de l'État	P105	Action de la France en Europe et dans le monde	105-05	Coopération de sécurité et de défense	105-05	Coopération de sécurité et de défense	110 045 927
ACT	PLF2020	BG	AA	Action extérieure de l'État	P105	Action de la France en Europe et dans le monde	105-01	Coordination de l'action diplomatique	105-01	Coordination de l'action diplomatique	98 119 037
ACT	PLF2020	BG	AA	Action extérieure de l'État	P185	Diplomatie culturelle et d'influence	185-06	Dépenses de personnel concourant au programme "Diplomatie"	185-06	Dépenses de personnel concourant au programme "Diplomatie"	70 678 650
ACT	PLF2020	BG	AA	Action extérieure de l'État	P185	Diplomatie culturelle et d'influence	185-07	Diplomatie économique et développement du tourisme	185-07	Diplomatie économique et développement du tourisme	30 869 520
ACT	PLF2020	BG	AA	Action extérieure de l'État	P185	Diplomatie culturelle et d'influence	185-04	Enseignement supérieur et recherche	185-04	Enseignement supérieur et recherche	101 601 261
ACT	PLF2020	BG	AA	Action extérieure de l'État	P151	Français à l'étranger et affaires consulaires	151-03	Instruction des demandes de visa	151-03	Instruction des demandes de visa	54 184 841
ACT	PLF2020	BG	AA	Action extérieure de l'État	P185	Diplomatie culturelle et d'influence	185-03	Objectifs de développement durable	185-03	Objectifs de développement durable	2 390 802
ACT	PLF2020	BG	AA	Action extérieure de l'État	P151	Français à l'étranger et affaires consulaires	151-01	Offre d'un service public de qualité aux Français à l'étranger	151-01	Offre d'un service public de qualité aux Français à l'étranger	224 340 227
ACT	PLF2020	BG	AA	Action extérieure de l'État	P105	Action de la France en Europe et dans le monde	105-07	Réseau diplomatique	105-07	Réseau diplomatique	689 603 070
ACT	PLF2020	BG	AA	Action extérieure de l'État	P105	Action de la France en Europe et dans le monde	105-06	Soutien	105-06	Soutien	261 003 642
ACT	PLF2020	BG	AB	Administration générale et territoriale	P216	Conduite et pilotage des politiques de l'intérieur	216-04	Action sociale et formation	216-04	Action sociale et formation	71 074 903
ACT	PLF2020	BG	AB	Administration générale et territoriale	P216	Conduite et pilotage des politiques de l'intérieur	216-05	Affaires immobilières	216-05	Affaires immobilières	165 458 127
ACT	PLF2020	BG	AB	Administration générale et territoriale	P216	Conduite et pilotage des politiques de l'intérieur	216-06	Affaires juridiques et contentieuses	216-06	Affaires juridiques et contentieuses	88 500 000
ACT	PLF2020	BG	AB	Administration générale et territoriale	P232	Vie politique, culturelle et associative	232-03	Commission nationale des comptes de campagne et des financements politiques	232-03	Commission nationale des comptes de campagne et des financements politiques	8 882 200
ACT	PLF2020	BG	AB	Administration générale et territoriale	P354	Administration territoriale de l'État	354-03	Contrôle de légalité et conseil aux collectivités territoriales	354-03	Contrôle de légalité et conseil aux collectivités territoriales	122 546 625
ACT	PLF2020	BG	AB	Administration générale et territoriale	P354	Administration territoriale de l'État	354-01	Coordination de la sécurité des personnes et des biens	354-01	Coordination de la sécurité des personnes et des biens	164 409 849

First step of the methodological development

- For each line, identify **whether or not it has an impact on the environmental dimension** of interest.
 - The impact can be positive or negative
- Lines should be assessed **one environmental dimension** at a time.
- E.g., climate mitigation:
 - Does the items affect the concentration of greenhouse gas in the atmosphere?
- *Next step: identify if the effect is positive, negative, or ambiguous*



Useful resources for methodological development

1. The EU Commission's green and brown lists

- Drafted by the EU Commission (DG ECFIN) with the aim of facilitating common approaches
- To support Member States in developing their own green budgeting practices
- Indicative rather than comprehensive: meant as a starting point for light tagging
- **Budgetary items** : all types of budgetary items are considered (revenue, expenditure, tax expenditure)
- **Environmental objectives** : the same as in the EU taxonomy
 - Climate change **mitigation**
 - Climate change **adaptation**
 - Sustainable use and protection of **water** and marine resources
 - Transition to a **circular economy**
 - **Pollution** prevention and control
 - Protection and restoration of **biodiversity** and ecosystems
- **Sectors** : sectors of the classification of the functions of government (COFOG) developed by the OECD

Characteristics of the green and brown lists

- The **environmental objective** the item is contributing/detrimental to is not specified (e.g. climate mitigation, biodiversity...)
- Binary classification:
 - Items with mixed/ambiguous impact are excluded (e.g. positive for the climate, negative for biodiversity such as hydropower stations)
 - Only one shade of green and brown (as opposed to methodologies capturing the “degree” of green/brown)
- **‘Transition’ items** are excluded:
 - e.g. gas-based heating systems replacing coal-based systems
- **‘No-alternative’ cases are treated as brown items:**
 - subsidies to air transport
 - expenses related to the military sector
 - fossil fuel subsidies for mining and manufacturing activities

2. EU taxonomy for sustainable activities

- EU taxonomy = classification of **sustainable economic activities**
 - Creates a common understanding of what is sustainable in the EU
 - Entered into force in July 2020 – now the basis of mandatory disclosure obligations for companies and investors (NFRD & SFRD)
-
- 6 environmental objectives:
 - Climate change **mitigation**
 - Climate change **adaptation**
 - Sustainable use and protection of **water** and marine resources
 - Transition to a **circular economy**
 - **Pollution** prevention and control
 - Protection and restoration of **biodiversity** and ecosystem
 - 4 requirements for economic activities to qualify:
 - Make a **substantial contribution** to at least one objective
 - Meet robust and science-based **Technical Screening Criteria (TSC)** (*in development*)
 - **Do « no significant harm »** to any of the other objectives (DNSH principle)
 - Comply with minimum **social safeguards**
 - EU taxonomy also defines **enabling and transitional activities** (*defined in TSC*)

Do No Significant Harm – general principles

- The **direct and primary indirect impacts** of a measure are relevant for the DNSH assessment
- The DNSH assessment needs to **consider the life cycle of the activity** that results from the measure (i.e. apply life cycle considerations)
- For economic activities where there is a technologically and economically feasible alternative with low environmental impact
 - Assess the environmental impact against a ‘no intervention’ scenario and in absolute terms (e.g. zero emission cars)
- For economic activities where there is no technologically and economically feasible alternative with low environmental impact
 - Can demonstrate DNSH by adopting the best available levels of environmental performance in the sector
- Measures related to power and/or heat generation **using fossil fuels should not be deemed compliant under DNSH**
- Ensure that measures **do not lead to harmful lock-in effects**

Source: [European Commission](#)

Climate mitigation and adaptation objectives

- **Climate change mitigation** activities:
 - Stabilize GHG concentrations in the atmosphere
 - Align 1.5° temperature target (Paris Agreement)
 - **Examples of activities:**
 - generate, store, distribute or use renewable energy
 - strengthen land carbon sinks (through avoiding deforestation, and more)
 - produce clean and efficient fuels
 - enable any of the activities listed above (*and others listed in the article*)
 - **Transition activities:**
 - No technologically and economically feasible low-carbon alternatives
 - GHG emission levels of activity need to be best performance in the sector or industry
 - Does not hamper the development of low-carbon alternatives, does not lead to lock-in
- **Climate change adaptation** activities:
 - include adaptation solutions reducing climate risks faced by economic activity
 - provide adaptation solutions preventing or reducing climate risks faced by people, nature or assets

Delegated Acts – TSC, DNSH, and other definitions

- Secondary legislation
- **Defines TSC (Technical Screening Criteria)** for each environmental objectives, defines **DNSH conditions** and conditions to classify as enabling/transitional activity.
- [EU Taxonomy Climate Delegated Act](#) on **climate mitigation and adaptation**:
 - 1st published in April 2021, officially published on **December 9th, 2021**
 - Living document: will evolve (has already with Complementary Climate Delegated Act, Feb 2nd, 2022)
 - Details specific criteria that need to be met for each type of activity (quite granular)
 - Also details DSNH and conditions to qualify as enabling or transitional activities
 - Requirements from DA **apply since January 1st, 2022**
- *Four remaining environmental objectives to be published in May 2022. First report from the TEG published on March 30th, 2022.*

The economic activities in this category could be associated with several NACE codes, in particular H49.20 and N77.39 in accordance with the statistical classification of economic activities established by Regulation (EC) No 1893/2006.

Where an economic activity in this category does not fulfil the substantial contribution criterion specified in point (a) of this Section, that activity is a transitional activity as referred to in Article 10(2) of Regulation (EU) 2020/852, provided it complies with the remaining technical screening criteria set out in this Section.

Technical screening criteria

Substantial contribution to climate change mitigation	
1. The activity complies with one or both of the following criteria:	
(a) the trains and wagons have zero direct tailpipe CO ₂ emission;	
(b) the trains and wagons have zero direct tailpipe CO ₂ emission when operated on a track with necessary infrastructure, and use a conventional engine where such infrastructure is not available (bimode).	
2. The trains and wagons are not dedicated to the transport of fossil fuels.	
Do no significant harm ('DNSH')	
(2) Climate change adaptation	The activity complies with the criteria set out in Appendix A to this Annex.
(3) Sustainable use and protection of water and marine resources	N/A
(4) Transition to a circular economy	Measures are in place to manage waste, in accordance with the waste hierarchy, in particular during maintenance.
(5) Pollution prevention and control	Engines for the propulsion of railway locomotives (RLL) and engines for the propulsion of railcars (RLR) comply with emission limits set out in Annex II to Regulation (EU) 2016/1628.
(6) Protection and restoration of biodiversity and ecosystems	N/A

Resources

- EU Taxonomy Regulation legal text: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32020R0852>
- Informational webpage: https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_en
- **Taxonomy Compass:** <https://ec.europa.eu/sustainable-finance-taxonomy/>
 - Interactive tool
 - Allows users to check which activities are included in the EU Taxonomy, to which objectives they substantially contribute, what criteria they have to meet
 - makes it easier to integrate criteria into business/ IT databases (downloadable in excel or JSON format)
- Sustainable Finance package: https://ec.europa.eu/info/publications/210421-sustainable-finance-communication_en#taxonomy

3. Rio markers

- At the 1992 Earth Summit, 3 legally binding agreements ('Rio Conventions') were signed: (1) the Convention on Biological Diversity; (2) the UN Framework Convention on Climate Change (UNFCCC); (3) the UN Convention to Combat Desertification.
- The Rio markers system was set in 1998 to **monitor and statistically report on the impacts of development finance flows** on the themes of the Rio Conventions

- 4 markers:

- **Biodiversity**
- **Desertification**
- Climate change **mitigation**
- Climate change **adaptation**



IS NOT TARGETED

RM=0 0% BUDGET

IS A SIGNIFICANT OBJECTIVE

RM=1 40% BUDGET

IS A PRINCIPAL OBJECTIVE

RM=2 100% BUDGET

The activity has other prime objectives but has been adjusted to help meet relevant environmental concerns

The objective must be explicitly stated as one of the principal reasons for undertaking the activity

- Grades of 0, 1, 2 based on the **objectives** of financed activities
- For climate mitigation and adaptation, indicative lists of most likely scores for activities, set by the OECD's Development Assistance Committee

4. EU climate tracking methodology

- Measures the contribution of **Member States' Recovery and Resilience Plans (RRP)** to climate objectives
 - At least 37% of funds allocated in each RRP have to support climate measures
 - All the funds must be directed towards measures that *Do No Significant Harm (DNSH)* to any of the 6 environmental objectives
- **Climate tracking methodology** based on the Rio markers system, adapted with elements from the EU Taxonomy Regulation
- Lists intervention fields and their contribution to climate change objectives (adaptation and mitigation): **0, 40 % or 100%**
- Intervention fields are assigned **environmental coefficients**
- Resources:
 - A climate tracking methodology in the Annex VI of the [RRF regulation](#)
 - A [technical guidance document](#) on the DNSH principle

Examples

	INTERVENTION FIELD	Coefficient for the calculation of support to climate change objectives	Coefficient for the calculation of support to environmental objectives
036	Adaptation to climate change measures and prevention and management of climate related risks: fires (including awareness raising, civil protection and disaster management systems, infrastructures and ecosystem based approaches)	100 %	100 %
037	Adaptation to climate change measures and prevention and management of climate related risks: others, e.g. storms and drought (including awareness raising, civil protection and disaster management systems, infrastructures and ecosystem based approaches)	100 %	100 %
038	Risk prevention and management of non-climate-related natural risks (for example earthquakes) and risks linked to human activities (for example technological accidents), including awareness raising, civil protection and disaster management systems, infrastructures and ecosystem based approaches	0 %	100 %
039	Provision of water for human consumption (extraction, treatment, storage and distribution infrastructure, efficiency measures, drinking water supply)	0 %	100 %
039bis	Provision of water for human consumption (extraction, treatment, storage and distribution infrastructure, efficiency measures, drinking water supply) compliant with efficiency criteria ⁽¹⁰⁾	40 %	100 %
040	Water management and water resource conservation (including river basin management, specific climate change adaptation measures, reuse, leakage reduction)	40 %	100 %

5. CEPA and CReMA

- Developed by the United Nations, with the aim of classifying activities related to environmental protection and the preservation of natural resources in statistics
 - **CEPA** : Classification of Environmental Protection Activities → classifies activities of which's main purpose is **environmental protection**
 - **CReMA** : Classification of Resource Management Activities → classifies activities that aim to **preserve and enhance the stock of natural resources**
- International classifications used in data collection
 - Lists available from [Eurostat website](#) (along [explanatory notes](#))

TOT_CEPA Total environmental protection activities

CEPA1-3 Protection of ambient air and climate; wastewater management; waste management

CEPA1_4_5_7 Protection of ambient air and climate; protection and remediation of soil, groundwater and surface water; noise and vibration abatement; protection against radiation

CEPA1_4-9 Protection of ambient air and climate; protection and remediation of soil, groundwater and surface water; noise and vibration abatement; protection of biodiversity and landscapes; protection against radiation; environmental research and development; other environmental protection activities

CEPA1 Protection of ambient air and climate

CEPA112_122 Protection of climate and ozone layer

CEPA2 Wastewater management

CEPA3 Waste management

CEPA4-9 Protection and remediation of soil, groundwater and surface water; noise and vibration abatement; protection of biodiversity and landscapes; protection against radiation; environmental research and development; other environmental protection activities

CEPA4 Protection and remediation of soil, groundwater and surface water

CEPA5 Noise and vibration abatement (excluding workplace protection)

CEPA6 Protection of biodiversity and landscapes

CEPA7-9 Protection against radiation; environmental research and development; other environmental protection activities

TOT_CREMA Total resource management activities

CREMA10 Management of waters

CREMA11 Management of forest resources

CREMA11A Management of forest areas

CREMA11B_13C_14 Minimisation of the intake of forest resources; minimisation of the use of fossil energy as raw materials; management of minerals

CREMA11B Minimisation of the intake of forest resources

CREMA12 Management of wild flora and fauna

CREMA13 Management of energy resources

CREMA13A Production of energy from renewable sources

CREMA13B Heat/energy saving and management

CREMA13C Minimisation of the use of fossil energy as raw materials





CREMA14 Management of minerals

CREMA15 Research and development activities for resource management

CREMA15A Research and development activities for the production of energy from renewable sources

CREMA16 Other resource management activities

6. Climate Bonds Taxonomy

- Developed by the **Climate Bond Initiative** since 2013
 - Lists assets and projects **compatible with 1.5°C temperature objective**, by sector
 - **Science-driven**, regularly updated
 - Used to **certify assets and bonds** based on underlying activities they fund
-
- Rates activities based on whether they are compatible with a 1.5°C decarbonization trajectory:
 -  Asset/project automatically compatible
 -  Asset/project can be compatible, subject to compliance with specific criteria
 -  Asset/project not compatible
 -  Additional work required
 - The taxonomy includes detailed **sector-specific eligibility criteria**
 - Newly-developed sector criteria include **adaptation and resilience**
 - https://www.climatebonds.net/files/files/Taxonomy/CBI_Taxonomy_Tables-08A%20%281%29.pdf

National documents

- Climate targets, laws, framework documents
- Energy plans
- Sustainable development strategy
- Other relevant documents.
- *This will help assess if measures are in line with national objectives, in addition to being generally green or generally harmful.*



How to create green budget tagging categories for Romania

Why make categories?

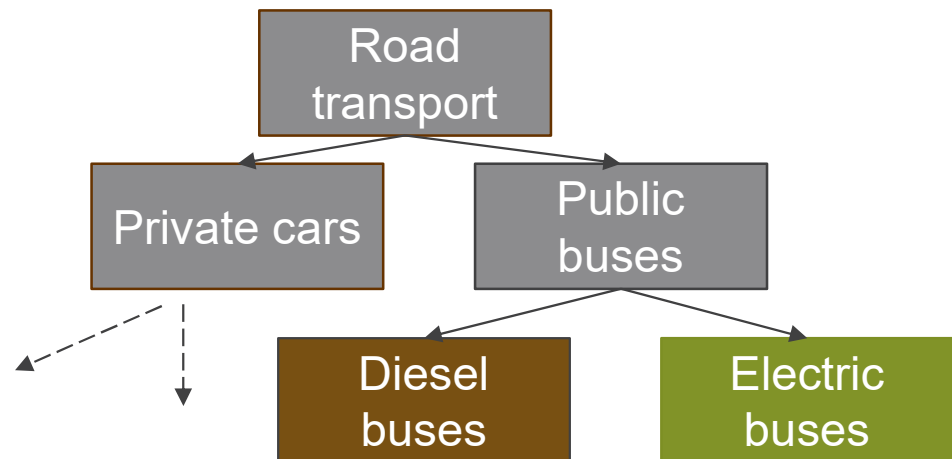
- This is the **third step** of the methodology; the **bulk of a green budget tagging exercise**
- Categories are bundles of budget lines which have roughly the same impact on one environmental dimension
- Creating categories **helps streamline the tagging in later years**
- In the first year (methodological development year), creating categories is the longest:
 - Needs to be based on **strong definitions of what is harmful/favorable/neutral**
 - Needs to be based on **national climate and environmental documents and strategies**
 - Needs to be based on existing **national categories and classifications for budget**, economic activities, etc
 - Needs to be **science based**

How to make these categories in practice ?

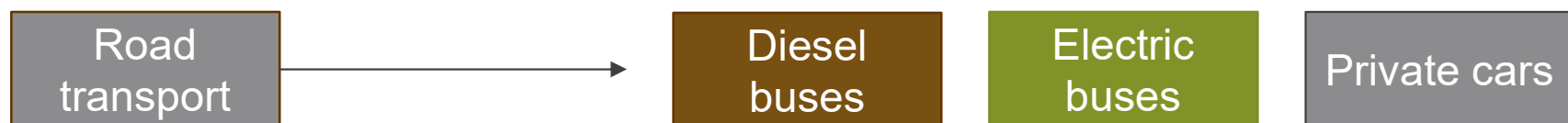
- Categories can build on sectors, but have to be refined as you go along budget items

- Illustrative example

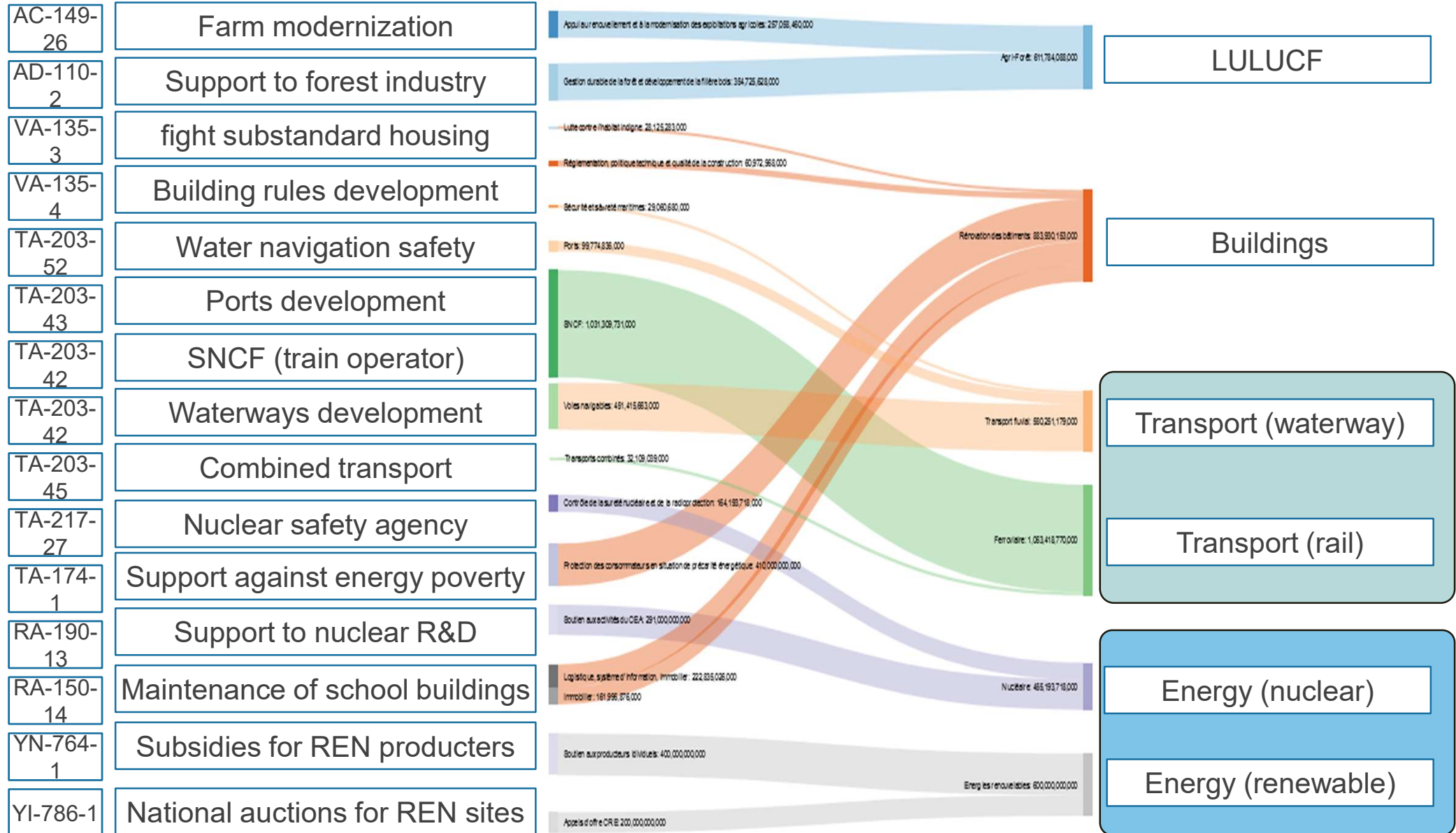
- Subsidies to road renovation
- Subsidies to public road transport
- Subsidies to diesel buses



- In the end, not a « road transport » category, but several categories within the road transport sector bundling together budget items with the same impact on GHG emissions



Reconciling two accounting systems





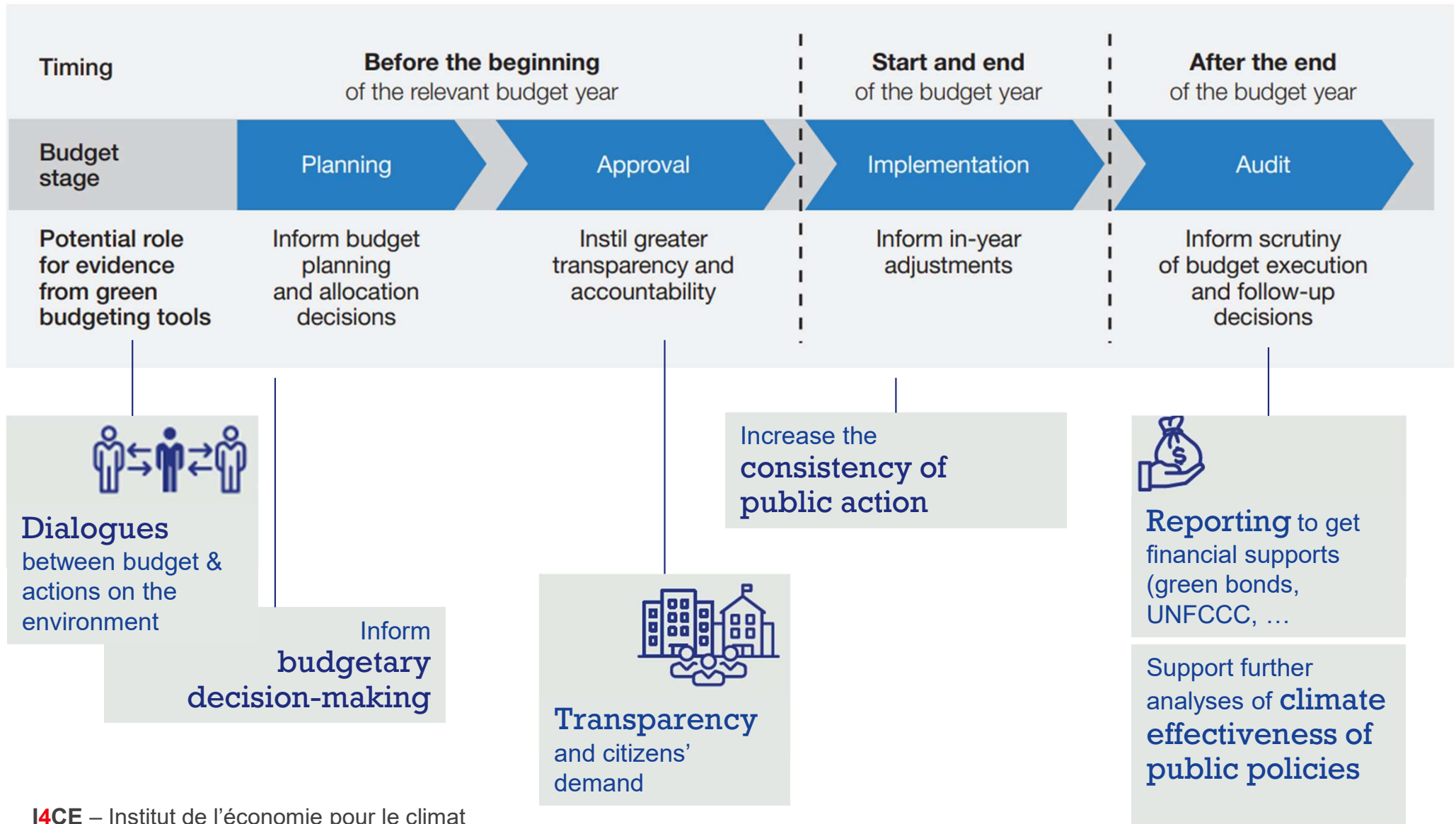
Applying green budget tagging

Things to consider

- **Recurrence of the exercise:**
 - is it a one-time exercise? Should it be undertaken every year? To which aim? (tracking progress, foster discussion about budget allocation, ...)
- **Timing with respect to the budget cycle**

Green budget tagging can serve different objectives based on integration in the national budgetary process

Source: [I4CE \(2021\)](#) based on OECD (2)



Things to consider

- **Human resources and other resource needs:**
 - IT system?
 - Creation of task force? Permanent structure?
 - How many FTE? What sort of expertise?
 - Roles and responsibilities: who is in charge of methodology development? Conducting the tagging? Disseminating the results?
- **Diffusion of results:**
 - To whom? How? To what aim?
 - Parliamentary discussion? NGOs, open data....

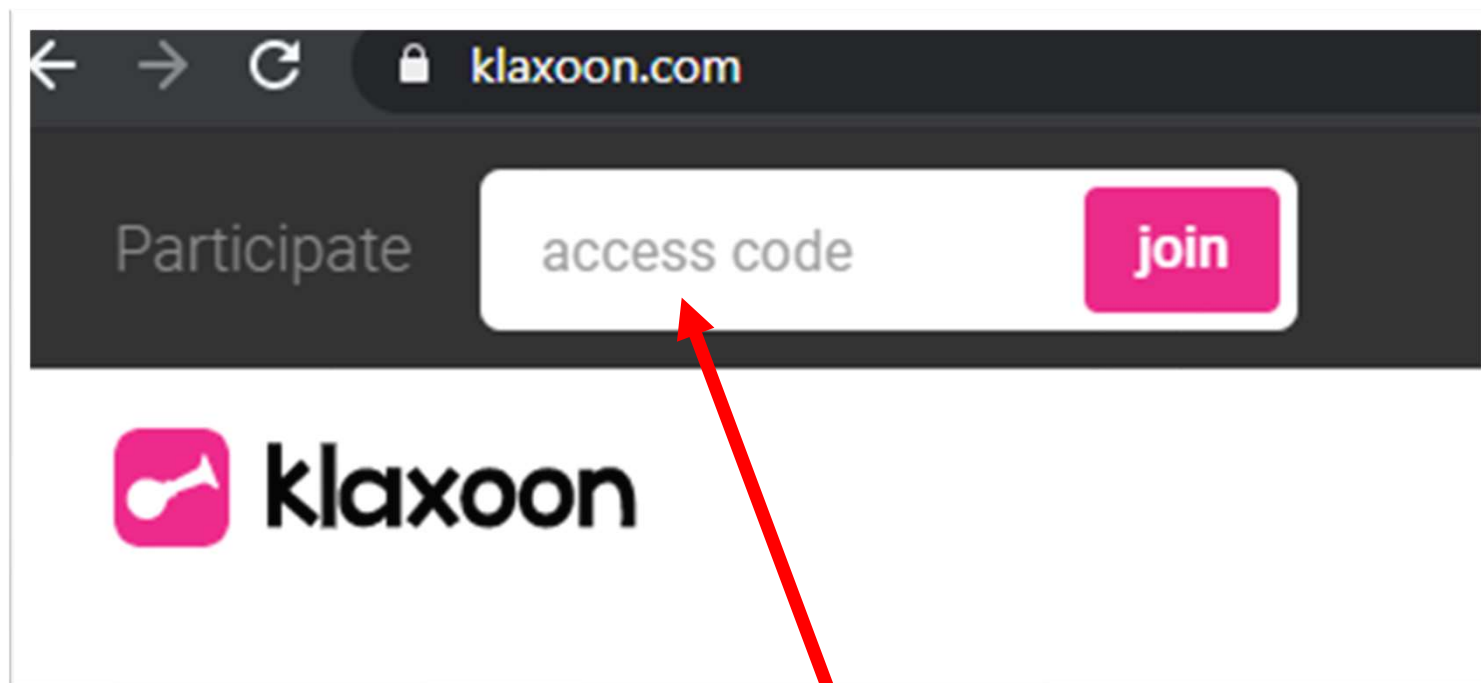
Human resources mobilised in the French exercise

Inter-ministerial taskforce with a reduced number of members

- **Representatives from the Ministry of Economics and Finance:**
 - **Budget Directorate:**
 - 4 people – 1FTE
 - Responsible for steering the budgetary procedure
 - **Directorate General of the Treasury:**
 - 2 people – 1/5 FTE
 - Specialized in the conduct of environmental policies
 - **Tax Policy Directorate:**
 - 2 people – 1/4 FTE
 - Responsible for tax expenditure quantification
- **Representatives from the Ministry of Ecological Transition:**
 - **Sustainable Development Agency (CGDD):**
 - 2 people – 1/4 FTE
 - In charge of producing analyses and studies in support of the Ministry of Ecological Transition

Source : France's Ministry of
Economics, Finance and Recovery

Quiz



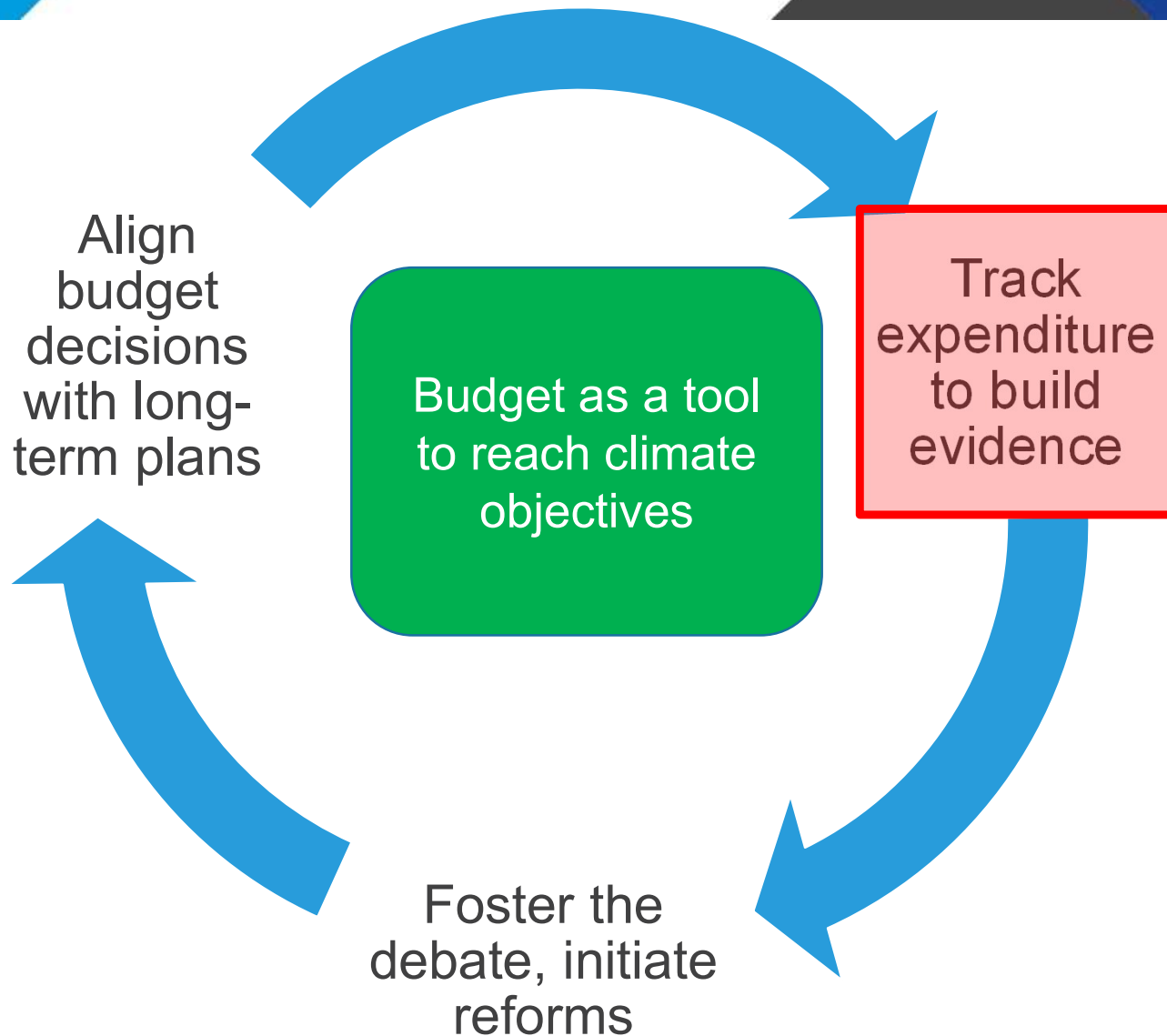
HWPDHXS



Conclusion: from green budget tagging to green budgeting and other developments

4.30pm-4.45pm

From green budget tagging to green budget practices



From green budget tagging to green budget practices

- Green budget tagging: a **first step to gain a comprehensive understanding of the climate and environmental impacts** of budgets.
- It **builds evidence** for discussion, can help **foster the debate** around climate action, and can be used to **track the state's action**.
- It is **essential that it is robust and well inserted in budgetary decision making** so that green measures are favored, harmful ones reformed or compensated.
- **Basis to go further:** impact assessment, social budget tagging (extensions to a green budget tagging exercise); environmental cost benefit analysis, environmental tax reform... (green budget tagging only informative here).

Key messages

- The **task is far from unfeasible**
- A **staged approach** can facilitate the exercise:
 - Smaller scope or coverage to begin, e.g., inclusion of other environmental dimensions as exercise becomes recurrent
 - Changes in organization of roles and responsibilities can be envisioned throughout the lifespan of the exercise
 - Dissemination of results may vary based on arising needs.
- There are **resources that can help** methodological development
- Green budget tagging should **build on national targets and circumstances**



Q&A

I4CE

INSTITUTE FOR
CLIMATE
ECONOMICS

Une initiative de la Caisse des Dépôts et
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Thank you for your
attention

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