

Green Budgeting in Austria

June 2023

Green Budgeting (GB) ... much more than just climate tagging

- Effort led by the Federal Ministry of Finance
- Green Budgeting analyzes and entails all climate and environment related government activities
- GB related instruments include i.a. climate tagging, impact assessments, Green Bonds, Green Finance Agenda, Macro-economic modelling of GHG policy effects and much more

Green Budgeting - A set of clear principles

- **„Whole of government approach“**
 - All federal measures/financial flows; no matter how they are organised/structured
- **„Systemic approach“**
 - Expenditures, revenues (e.g. taxes), and legislation: crucial to identifying a cost-effective way towards climate neutrality
- **„Step-wise approach“**
 - GB methodology as a learning system , deep-dives with ministries, increasing level of sophistication

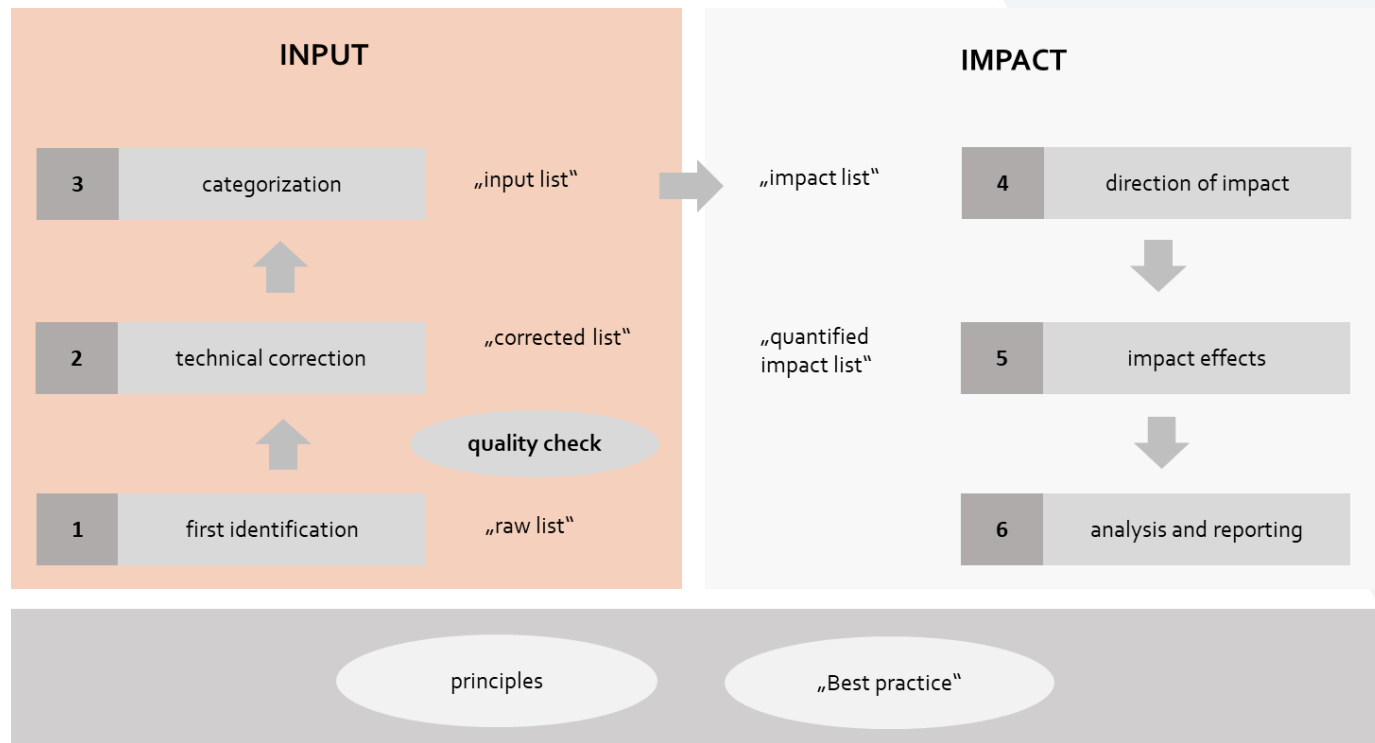
A brief history of the Austrian Green Budgeting methodology

- **September 2022**
 - Development and publication of the Green Budgeting methodology
 - Initial green budgeting analysis of the federal budget
- **October 2022**
 - First steps of introducing the methodology into the climate and environmental report (supplement to budget)
- **May 2023**
 - Publication of a deep dive report for a specific budget chapter (further development of the methodology)
- **June 2023**
 - Recommendations to introduce Green Budgeting a subnational level as part of a Spending Review
- **June/July/August 2023**
 - Further Green Budgeting steps in the climate and environmental report
 - First steps of using Green Budgeting in the budget negotiations

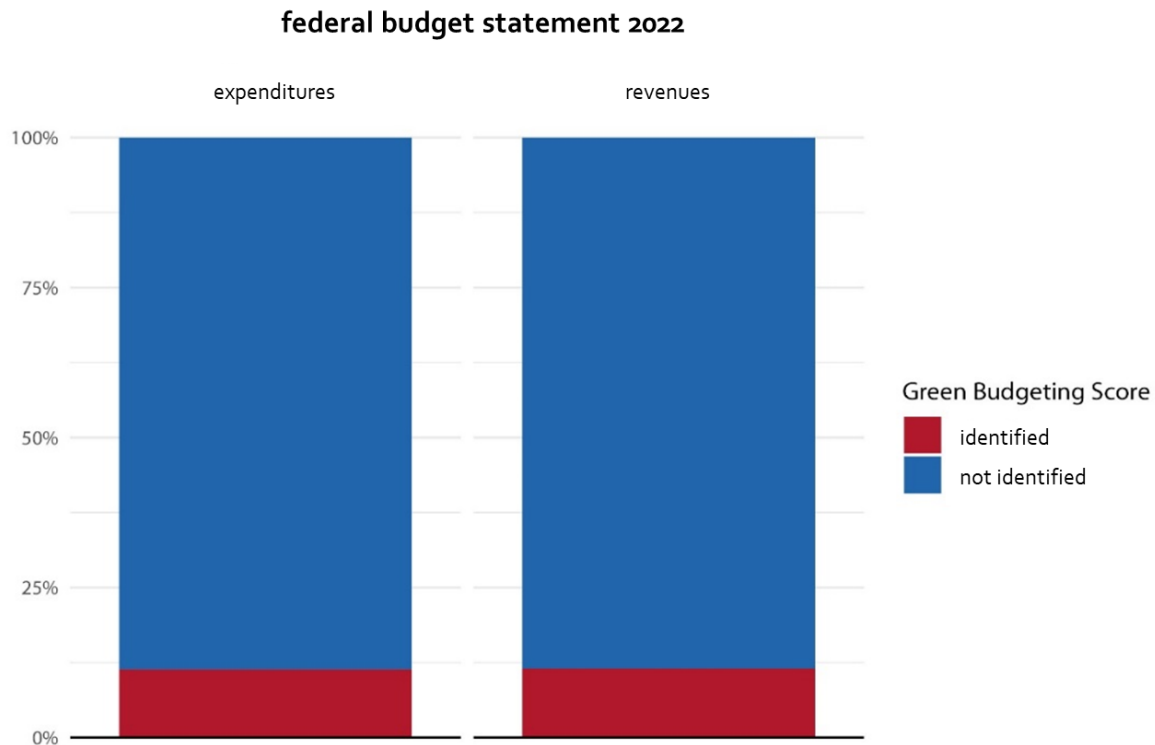
Initial Green Budgeting analysis of the federal budget

- 38,000 budget lines of the entire federal budget analysed
- **budget line** = smallest common denominator
- Technical Support Instrument for 'Do No Significant Harm' principle
- A consistent Green Budgeting methodology using an **Input/Impact approach**
 - First step: Identify which budgetary lines are relevant
 - Then estimating their approximate impact – so far using qualitative means, in the future quantitative

Green Budgeting methodology – from Input to Impact



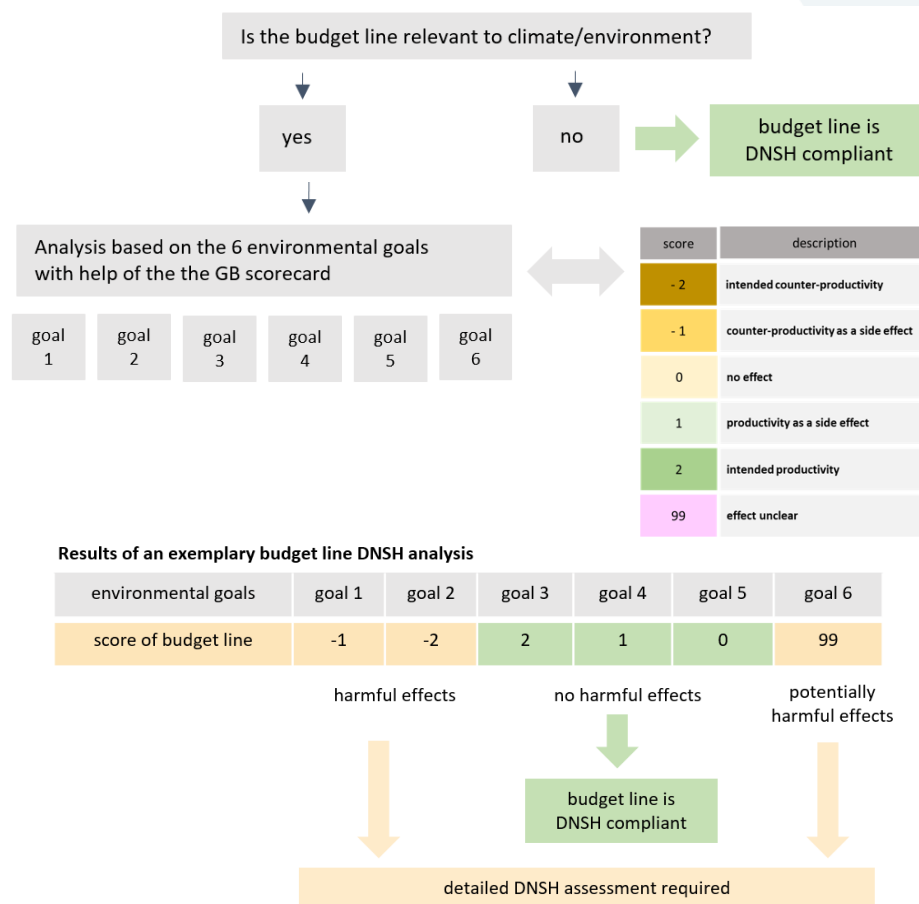
Nearly 10% of all budget items with climate/environmental link



Impact of each budget line is scored using a scorecard

score	description
- 2	intended counter-productivity
- 1	counter-productivity as a side effect
0	no effect
1	productivity as a side effect
2	intended productivity
99	effect unclear

GB and ,Do no significant harm' - How to link these two concepts?



Challenges

- There are still some challenges...
 - **Institutional** challenges
 - Convince all line ministries/departments of the necessity of Green Budgeting
 - **Content-related and methodological** challenges
 - Various scores for a budget line vs predominance principle
 - How to deal with scores and ex-post information about budget lines (which could change the score)?
 - Define a quality assurance process for the budget line scoring
 - Impact measuring

Next steps

- **Further process for improvements to the Green Budgeting methodology**
 - Deep dives into further budget chapters
- **Upcoming Spending Review Report (June 2023)**
 - Focus synergies in the subsidy landscape of the federal provinces; extension of Green Budgeting to the regions
- **Impact assessment**
 - Major MoF project to estimate the GHG impact (greenhouse gas effects)
- **Green Budgeting methodology for Green Bonds**
 - Using the Green Budgeting methodology for future Green Bonds
- **Do no significant harm**
 - Further development of the DNSH approach in AT and link to the GB methodology

Thank you for your attention!

**Austrian Ministry of Finance
Climate Team DG Budget**

klimapolitik@bmf.gv.at

<https://www.bmf.gv.at/themen/klimapolitik.html>