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

**INPUT**

1. first identification
   - "raw list"

2. technical correction
   - "corrected list"
   - quality check

3. categorization
   - "input list"

**IMPACT**

4. direction of impact
   - "impact list"

5. impact effects
   - "quantified impact list"

6. analysis and reporting
   - "Best practice"

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

Federal budget statement 2022

Expenditures and revenues

Green budgeting score
- Identified
- Not identified
Impact of each budget line is scored using a scorecard

<table>
<thead>
<tr>
<th>score</th>
<th>description</th>
</tr>
</thead>
<tbody>
<tr>
<td>-2</td>
<td>intended counter-productivity</td>
</tr>
<tr>
<td>-1</td>
<td>counter-productivity as a side effect</td>
</tr>
<tr>
<td>0</td>
<td>no effect</td>
</tr>
<tr>
<td>1</td>
<td>productivity as a side effect</td>
</tr>
<tr>
<td>2</td>
<td>intended productivity</td>
</tr>
<tr>
<td>99</td>
<td>effect unclear</td>
</tr>
</tbody>
</table>
GB and 'Do no significant harm' - How to link these two concepts?

Is the budget line relevant to climate/environment?

- yes
- no

Analysis based on the 6 environmental goals with help of the GB scorecard

<table>
<thead>
<tr>
<th>goal 1</th>
<th>goal 2</th>
<th>goal 3</th>
<th>goal 4</th>
<th>goal 5</th>
<th>goal 6</th>
</tr>
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Results of an exemplary budget line DNSH analysis

<table>
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<th>environmental goals</th>
<th>goal 1</th>
<th>goal 2</th>
<th>goal 3</th>
<th>goal 4</th>
<th>goal 5</th>
<th>goal 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>score of budget line</td>
<td>-1</td>
<td>-2</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>99</td>
</tr>
</tbody>
</table>

harmful effects  
no harmful effects  
potentially harmful effects  
budget line is DNSH compliant  
detailed DNSH assessment required
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
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