

France

Green Budgeting Methodology



TYPE OF TOOL
*Methodology/
Guidelines/
Requirements*



MAIN SECTORS
All sectors



THEME
Green



INFRASTRUCTURE GOVERNANCE PILLARS
*Fiscal sustainability, affordability and
value for money*

In a nutshell



OBJECTIVE: France's green budgeting exercise tags environmental impacts of the budget's appropriations and tax expenditures to evaluate how they measure up against national commitments.



Agency in charge
Ministry of Ecological Transition; Ministry of Economy and Finance



Year of implementation
2020



Levels of government
National



Current status
Fully operational

Overview

Green budgeting can support governments in achieving their environmental and climate goals by evaluating environmental impacts of budgetary and fiscal policies and assessing their coherence towards the delivery of national and international commitments. In France, the green budgeting approach integrates a classification method for public investments. In 2020, the country published its first report on the environmental impact of the central government budget using positive, negative, mixed and neutral classifications according to 6 environmental objectives including climate change mitigation and adaptation. According to whether they cause a negative or positive effect on any of these 6 dimensions and the kind of impact (i.e. short-, medium-, long-term), government expenditures are tagged as:

- **Favourable expenditures**, covering environmentally targeted expenditures or expenditures contributing directly to the production of an environmental good or service (green activity); expenditures with no explicit environmental target, but with an indirect positive impact; and favourable but controversial expenditures with favourable short-term effects but a potential technology lock-in risk in the long term.
- **Neutral expenditures**, covering expenditures with no significant impact on the environment; no information or insufficiently substantiated information to determine a favourable or unfavourable effect on the environment.
- **Unfavourable expenditures**, covering expenditures causing direct harm to the environment or creating incentives for environmentally harmful behaviour.
- **Mixed expenditures**, covering expenditures with favourable and unfavourable impacts on the different environmental objectives/criteria used for evaluation.

For transport infrastructure expenditures, the methodology takes into account the diversity of modes of transport and the different energy sources on which they rely (the use of a decarbonised energy source or a mode of transport with lower emissions than road transport leads to a favourable rating on climate change mitigation and adaptation). It also considers the life cycle of the infrastructure, and therefore all the induced effects, including emissions, during the construction phase.

REFERENCES:

- OECD (2023), "Strengthening environmental considerations in public investment in Ireland: Assessment and recommendations", OECD Public Governance Policy Papers, No. 35, OECD Publishing, Paris, <https://doi.org/10.1787/83b97aca-en>.