



## PEMPAL Budget and Treasury Communities of Practice (BCOP & TCOP)

### Thematic VC on Green Budget Reporting Experience in PEMPAL Countries

March 24, 2026

### Event Report

#### Introduction

1. On March 24, 2026, the PEMPAL Budget and Treasury communities of practice (BCOP and TCOP) held a videoconference on **Green Budget Reporting Experience in PEMPAL Countries**. The objectives were to learn the recent experience of PEMPAL countries in implementing green budgeting and green budget reporting and to discuss implications of green budget implementation on budget classification, Chart of Accounts, and automation of budget execution, accounting, and reporting. The event was attended by about 70 participants, including 60 PFM practitioners from 20 PEMPAL countries (Albania, Armenia, Bosnia and Herzegovina, Bulgaria, Croatia, Georgia, Hungary, Kazakhstan, Kosovo, Kyrgyz Republic, Moldova, Montenegro, North Macedonia, Romania, Serbia, Tajikistan, Türkiye, Turkmenistan, Ukraine and Uzbekistan), and interested World Bank staff. The meeting was facilitated by the World Bank Resource team comprising Fabienne Mroczka (TCOP Resource Team Leader), Iryna Shcherbyna-Taferner (BCOP Resource Team Leader), Galina Kuznetsova and Elena Dobrolyubova (TCOP Resource Team Members), Naida Carsimamovic Vukotic (PEMPAL Advisor and RT member), Mikaela Stepanyan and Mingul Seitkazieva (PEMPAL Secretariat).

2. **Fabienne Mroczka** welcomed the participants and introduced the meeting objectives and the agenda comprising practical examples of implementing green budgeting and reporting and issuing green bonds in PEMPAL countries. **Iryna Shcherbyna-Taferner** thanked TCOP for the initiative to hold this session and pointed out that introduction of green budgeting and reporting was of high interest to representatives of both communities of practice.

#### Green Budgeting and Reporting in PEMPAL Countries

3. The initial poll among the participants<sup>1</sup> showed that one-third of the audience represented the countries where green budgeting was implemented whereas 60 percent of participants were from the countries that plan to introduce this practice. Three country cases of implementing green budgeting and reporting were presented by representatives of Georgia, Serbia, and Uzbekistan.

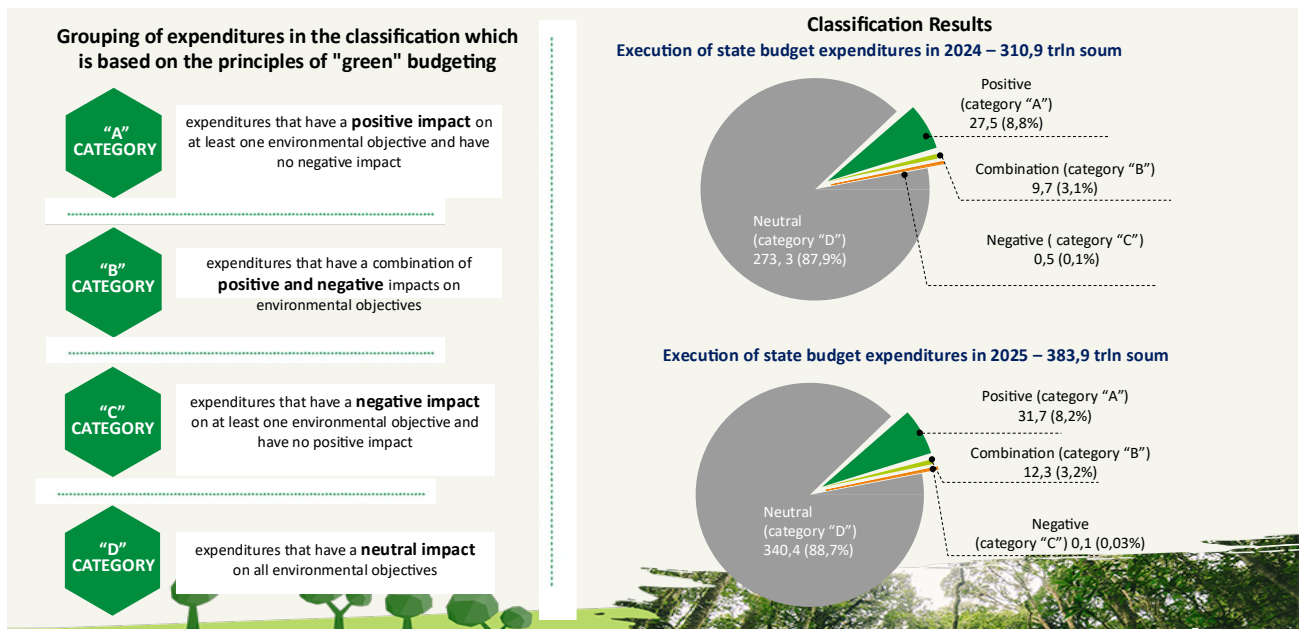
4. **Milesa Marjanović, Budget Department Head, Ministry of Finance of Serbia**, noted that green budgeting was implemented in her country since 2025. In Serbia, green tagging is performed by spending units during the priority funding areas identification phase at the level of projects and program activities. The tagging decisions are reviewed by a specially established interdepartmental Task Force comprising the representatives from the Ministry of Finance, the Ministry of Environmental Protection, the Ministry of Construction, Transport and Infrastructure, the Ministry of Energy and Mining, the Ministry of

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<sup>1</sup> The polls were conducted online using Slido tool.

Agriculture. The tagging methodology is based on the EU Taxonomy<sup>2</sup> and the EU Green List<sup>3</sup> and currently only environmentally favorable expenditures are tagged; some types of expenditure (i.e., salaries, social protection payments, interest payments) are excluded from green tagging by default. Currently, only central government spending units participate in green tagging, but it is planned to extend the practice to subnational governments. In 2025, some 4.45 percent of total budget expenditure was tagged as green. Green tagging and reporting were automated in SPIRI (a system for budget planning, execution and reporting) where a link between budget planning and execution is ensured. Green budget reporting is an integral part of budget reporting and is performed annually by spending units with the Ministry of Finance playing a core role in methodological support and data consolidation.

5. **Aynura Bakaybaeva, Head of Division on Methodology for Gender and Green Budgeting, State Budget Policy Department, Ministry of Economy and Finance of Uzbekistan and Chair of BCOP ExCom** shared the Uzbek approach to green budgeting and reporting. In Uzbekistan, green tagging and reporting is performed by the Ministry of Economy and Finance and applies to all state budget expenditure. For the purposes of green tagging, functional classification items are classified into one of four categories depending on the group of expenditures (mitigation of climate change, adaptation to climate change and environmental protection) and the impact on environmental objectives. As a result of tagging, in 2025, 8.2 percent of state budget expenditures had positive impact, 3.1 percent had mixed effects, and only 0.1 percent had a negative impact on environmental and climate goals (*Fig. 1*). Green tagging in Uzbekistan was automated in IFMIS-2 software.



Source: presentation by A. Bakaybayeva.

Fig. 1: Expenditure Classification based on Green Budgeting Principles in Uzbekistan

<sup>2</sup> EU Taxonomy Regulation (EU) 2020/852, available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32020R0852>

<sup>3</sup> The EU lists of broadly 'green' and broadly 'brown' items are available at: [https://economy-finance.ec.europa.eu/economic-governance-framework/national-fiscal-frameworks-eu-member-states/green-budgeting-eu\\_en#tools](https://economy-finance.ec.europa.eu/economic-governance-framework/national-fiscal-frameworks-eu-member-states/green-budgeting-eu_en#tools)

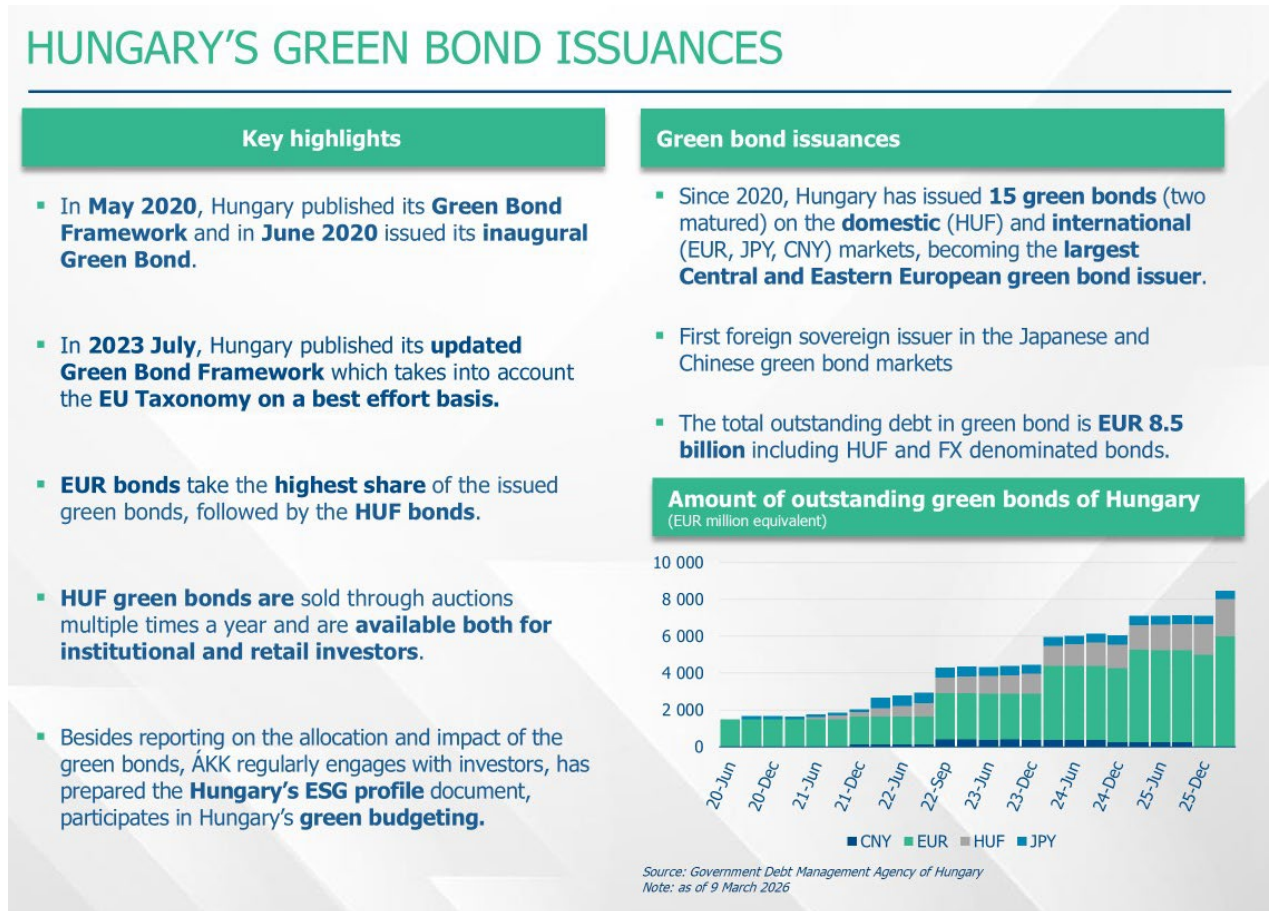
6. **Natia Gulua, WB Voice Secondee, Head of Budget Department, Ministry of Finance of Georgia** presented the approach to green budgeting and reporting in her country. Since 2007, Georgia has implemented several significant PFM reforms, including MTEF, program budgeting, and PFM digitalization. The work on integrating cross-cutting issues into budget planning started in 2022 as a part of broader efforts to strengthen strategic planning and coordination in PFM. To address this challenge, in 2022 Georgia introduced a policy classifier – a tagging tool that allows every budget organization to link their programs and sub-programs to major policy areas, such as SDGs, climate change, gender equality or green growth. The policy classifier is used in addition to economic, functional and program budget classification. Further priorities include more detailed integration of cross-cutting priorities through eBudget, identifying and quantifying policy-related costs, strengthening the linkage between program budgeting and policy classification and strengthening capacity across ministries and agencies.

7. The presentations prompted an active discussion. **Elena Dobrolyubova** asked Milesa if spending units in Serbia were motivated to tag projects as “green”. **Milesa** noted that though most green projects were proposed by the Ministry of Environmental Protection, some projects put forward by other line ministries, such as Ministry of Education, met the green criteria as they included the measures to increase energy efficiency of educational facilities. She stressed the need to raise awareness and strengthen capacity of spending units. **Lusine Aivazyan (Armenia)** inquired if green tagging could be changed during the budget execution. **Aynura** noted that in Uzbekistan there was a possibility to change the assigned green tags during the budget execution. Uzbekistan has not yet fully implemented program budgeting, but the change in line ministry’s KPI may trigger changes to green budget tagging. **Milesa** noted that in Serbia in case of the budget amendments, new green projects could be added. However, a project classified as ‘green’ at the budget planning stage cannot be declassified during the budget execution. **Aynura** asked Milesa if Serbia captured only positive green impact of budget expenditures. **Milesa** noted that while in 2025 only ‘green’ expenditures were tagged, it was planned to expand the practice to ‘brown’ expenditure tagging. **Floreta Hasani (North Macedonia)** asked Natia about the allocation of responsibilities on green budgeting. **Natia** noted that the Ministry of Finance of Georgia coordinated the activities on green budgeting. **Aynura** asked Natia about the level of applying a policy classifier. **Natia** explained that though initially the classifier applied to the budget program / sub-program level, currently line ministries were reviewing their budget items to tag budget expenditure to cross-cutting policy objectives at the lower (activity) level. The poll among the event participants confirmed that most meeting participants (88 percent) found it optimal to implement green budget tagging at the program activity/project level.

### **Evaluating the Impact of Green Bonds**

8. **Bence Lukács**, Head of Sustainable Finance Department, Government Debt Management Agency (ÁKK), Hungary, presented the Hungarian experience of issuing green bonds and evaluating their impact. Green bond issuance in Hungary aims at financing or refinancing of the green central government expenditures that support meeting domestic and international ESG targets. It is important from the perspective of diversifying investor base, ensuring and strengthening international market presence, satisfying the growing investor demand for ESG securities and may also have a positive impact on the demand for conventional bonds. Since 2020, Hungary has made 15 issuances of green bonds both in FX and local currency and became the largest green bond issuer in Central and Eastern Europe

(Fig. 2). In the latest 2023 Green Bond Framework<sup>4</sup> Hungary uses eight categories of green projects aligned with SDG goals and the EU Taxonomy. The projects funded by green both proceeds are proposed by the Ministry of National Economy and line ministries and are subject to strict selection criteria and external review. ÁKK produces annual reports on the allocation and impact of the green bond proceeds,<sup>5</sup> which are subject to external review.



Source: presentation by B. Lukács

Fig. 2: Hungarian Green Bond Issuances

9. The experience of green bond issuance in Hungary demonstrates the need for greater transparency on ESG policies pursued by government. To address this issue, ÁKK publishes Hungary's ESG Profile<sup>6</sup> and has implemented green budgeting on a pilot basis. **Bence** stressed the important synergies between green bond issuance and green budgeting and reporting and pointed out that not all expenditures marked as "green" for green budgeting purposes qualified for green bond financing, due to the differences in methodology and specific ESG investor preferences.

10. Several points were clarified during the discussion. **Elena** inquired about the differences between the expenditures that are marked as green for green budgeting purposes and those that could be funded from green bond proceeds. **Bence** explained that green bond financing criteria were stricter

<sup>4</sup> Available at: <https://www.akk.hu/content/path=green-bond-framework-2023-item-en>

<sup>5</sup> The latest report is available at: [https://www.akk.hu/content/path=integrated\\_report\\_2024](https://www.akk.hu/content/path=integrated_report_2024)

<sup>6</sup> Available at: <https://www.akk.hu/content/path=hungary-esg-profile-en>

and did not include some monitoring or climate adaptation expenditure (for instance, agriculture insurance against draught or flood), expenditure on hybrid vehicles and gene conservation. Overall, the expenditure which does not have a tangible impact (for instance, pollution monitoring) is considered green for budgeting purposes but does not qualify for green bond funding. In addition, due to ESG investor preferences, nuclear energy and nuclear research related activities are not covered by green bonds, though some countries, such as France, consider them green. **Andrea Sissa** inquired how long it took to issue green bonds and what the key requirements were. **Bence** noted that first a Green Bond Framework was needed, and it had to be reviewed by the External Reviewer. However, if the framework is in place, it takes about two months to issue green bonds. In developing the framework, the Ministry of Finance needs to follow good international practice, including ICMA Green Bond Principles<sup>7</sup>. In addition, regional taxonomy (such as the EU Taxonomy) should be accounted for.

11. **Fabienne** extended her gratitude to the presenters for their excellent presentations and thanked everyone for their active participation in the meeting. She pointed out that green budgeting/reporting and green finance in general were strategically connected and extended the hope that the session provided new ideas for the countries that plan implementation of these instruments. **Iryna** highlighted that all topics discussed during the session were interesting and useful and noted that the green bonds discussion provided an interesting perspective on potential sources to finance green budget activities.

## Conclusions

12. **Georgia, Serbia, and Uzbekistan have implemented green budgeting and reporting, but the approaches among the countries vary.** While in Serbia green budgeting process is decentralized and involves spending units with an interdepartmental Task Force for coordinating tagging decisions, in Uzbekistan and Georgia, more centralized approaches are implemented. Serbia uses EU Taxonomy and currently tags only green expenditures that have positive impact on environment, excluding the expenditures that are neutral by default (such as employee expenditures or interest payments), whereas in Uzbekistan all budget expenditures are assigned green categories, based on their positive, combined, negative, or neutral impact on environmental objectives. In all countries, green budget reporting is part of the annual budget report.

13. **Determining the right level of green budgeting is important.** Though it might be easier to tag subprograms, most meeting participants highlighted the importance of green tagging at the activity level and using detailed classification. The country cases demonstrate various classification approaches: Serbia uses program classification, Uzbekistan uses functional classification, whereas Georgia has introduced a separate policy classifier that tags budget programs and subprograms to various policy objectives, including green growth. Currently, Georgia is introducing the possibility of applying policy classifier at the lower (activity) level.

14. **Automating green budget reporting is critical for ensuring transparency, consistency, and optimizing data collection and consolidation efforts.** As demonstrated by the case of Hungary where green budgeting implementation is in pilot phase, the lack of easily available data on green budget initiatives results in significant data collection and consolidation efforts to support green bond issuances. While Serbia, Georgia, and Uzbekistan report automating green budget tagging in their FMIS

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<sup>7</sup> Available at: <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>



systems, the roles of central agencies and spending units in using these systems for planning and reporting on green expenditures vary. National treasuries need to play a more active role in supporting green budget reporting (and cross-cutting reporting in general) and supporting relevant IFMIS adjustments, especially once green tagging is rolled over to spending units and local self-governments.

15. **As showcased by Hungary, green bonds represent an important source of financing for green government initiatives.** Since 2020, Hungary has issued 15 green bonds (two matured) on the domestic (HUF) and international (EUR, JPY, CNY) markets, becoming the largest Central and Eastern European green bond issuer. Notably, the Hungarian experience demonstrates the link between green budget tagging/reporting and green bond issuance. It shows that not all expenditures marked as “green” for green budgeting purposes may qualify for green bond financing, due to the differences in methodology and specific ESG investor preferences. This difference should be noted by other countries interested in attracting additional financing using green bonds.