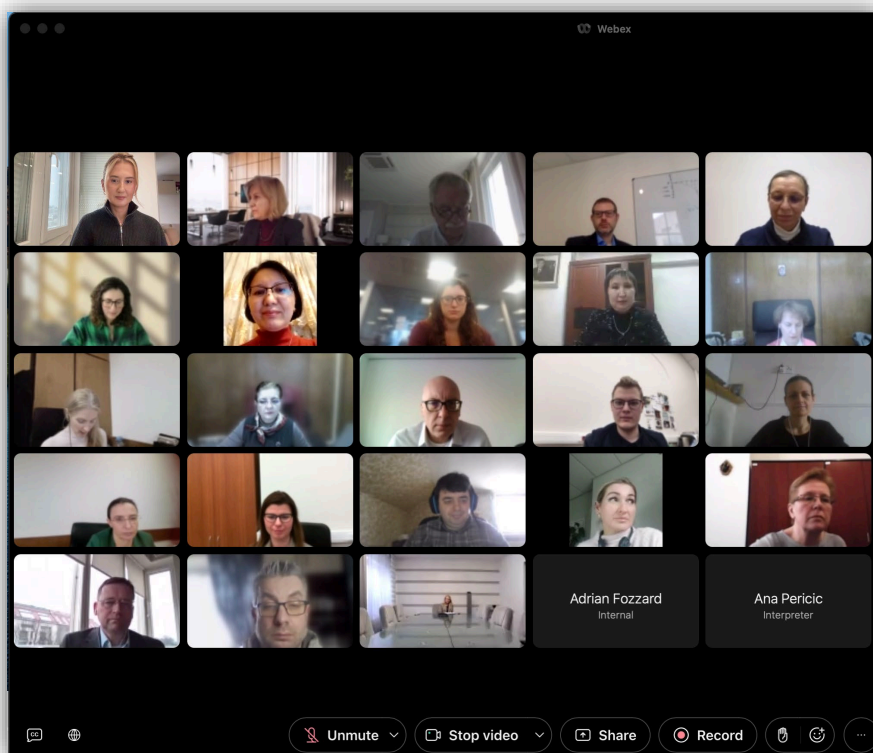


ECA PEMPAL Budget Community of Practice (BCOP) Virtual Meeting

GREEN BUDGETING: STRENGTHENING THE ROLE OF MINISTRIES OF FINANCE IN DRIVING CLIMATE ACTIONS

January 26, 2023, Videoconference



On January 26, 2023, BCOP held a virtual thematic workshop on the role of Ministries of Finance in driving climate action. In an online survey on priority budgeting topics conducted in the summer of 2022, one of the most commonly selected topics chosen by the representatives of BCOP countries was green/environmentally responsive budgeting, and later the members confirmed it during the BCOP's meeting in Bucharest in October 2022. Green budgeting is a timely and vital topic, and Ministries of Finance have a very large and important role in driving climate change mitigation and adaptation action. There is a clear emerging practice of more and more ministries of finance engaging actively. For example, Bulgaria has recently participated in the European Commission's survey on the level of application of green budgeting. Based on the survey's results a technical assistance project is currently being implemented in this area, with experts from France working with the pilot ministry in the energy sector. In Uzbekistan, based on an assessment conducted by the UNDP, a green budgeting methodology is being developed. In the context of current several interlinked global crises, climate action can contribute to increased economic and societal opportunities for citizens.

The meeting comprised two presentations (by the representatives of the Coalition of Finance Ministers for Climate Action and the World Bank) and a discussion. A Framework and Guide for Ministries of Finance was presented by the Coalition of Finance Ministers for Climate Action (*Mr. Pekka Moren*, Special Representative of the Minister of Finance of Finland, Co-chair of the Coalition of Finance Ministers for Climate Action, and *Mr. Nick Godfrey*, Senior Advisor at the Grantham Research Institute at the London School of Economics and Political Science and Advisor to the Coalition of Finance Ministers for Climate Action). The World Bank (*Mr. Adrian Fozzard*, Practice Manager, Governance Latin America and Caribbean ELCG and Governance and Climate Change) presented advice on entry points for climate change governance. After the presentations, participants discussed the BCOP's future activities on this topic. The meeting agenda and both presentations are attached.

The key takeaways are:

- i) **The meeting provided the opportunity** to familiarize BCOP members with the recent international experience and advice on the overall role of Ministries of Finance in climate action and in budgeting for climate change and to collect BCOP members' feedback on the desired content of a potential BCOP's knowledge product on this topic.
- ii) **The Framework developed by the Coalition of Finance Ministers for Climate Action lays out a guide for how Finance Ministries might mainstream climate action into their core functions and build the necessary capabilities to act.** It highlights a number of possible transformative actions across the three key functions: i) macroeconomic strategy and vision, ii) fiscal policies and budget, and iii) financing the transition. It also discusses the three core capabilities that needed to be enhanced to act on climate: i) leadership capability, ii) collaborative capability, and iii) human and analytical capability. The framework advises that the budget can drive transformation in all sectors of the economy, including through annual budgets and medium-term expenditure frameworks, green public investment management, and public procurement. It also discussed key barriers and mitigations, examining case studies (including good practices of France's 2021 Green Budget, Nepal's Climate Budget, and the European Commission's support to Member States in green budget practices).
- iii) **The World Bank's presentation examined entry points for climate change governance and recommended solutions for different challenges throughout the planning and implementation cycle of different PFM areas.** Climate change budget tagging and lessons learned from the up-to-date implementation were also discussed. Green budgeting should be developed based on an adequate proper climate risk assessment and risk management plan, a long-term national strategy for driving climate action, and public investments in needed infrastructure. If green budgeting is attempted without these prior steps, it will not reach its intended usefulness. In addition, spending reviews in this area are a recommended prior step to green budgeting. Ministries of finance have an important role to play in all of these processes.

- iv) **During the discussion on whether a BCOP knowledge product on this topic should be developed, it was concluded that this topic should be continued to be examined in the plenary meeting and that a decision on a potential knowledge product would be made at a later point.**

A total of 50 participants attended this virtual meeting, including budget officials from the Ministries of Finance of 14 BCOP member countries (Azerbaijan, Belarus, Bosnia and Herzegovina, Croatia, Kazakhstan, Kosovo, Moldova, Romania, Russia, Serbia, Turkey, Ukraine, and Uzbekistan). As the start of a potential collaboration between PEMPAL BCOP and PEMNA BCOP, Ms. Quyen Hoang, PEMNA TTL, and PEMNA BCOP Facilitator also attended the meeting. The post-event survey was circulated to collect feedback on participants' level of satisfaction with this event. Overall satisfaction was high at 4.6 (on a scale where 5 marks high satisfaction).

The meeting materials are available on the [PEMPAL website](#), including the agenda and presentations.