

# GreenGov initial study factsheet

## State of play of green finance in European regions

November 2024 | #GreenGov project

### EU REGULATORY LANDSCAPE FOR SUSTAINABLE FINANCE

The EU Sustainable finance regulatory framework has **3 building blocks**:

**Classification**  
(i.e., the EU Taxonomy)

**Disclosures**  
(e.g., CSRD ; SFDR)

**Tools**  
(e.g., green budgeting ;  
green bonds)

Regional authorities can make use of several existing EU sustainable finance instruments and rules. From a regulatory standpoint, they can be organized according to their **objective and regions' competencies**:

- Instruments that have a role in implementing the transition through public policies:** for instance, using the EU taxonomy to enhance (or assess) the "greenness" of public policies. This also ties into the concept of green budgeting but extends beyond.
- Leveraging private finance (using the same tools as businesses):** regions can present themselves favorably to investors by issuing green and sustainable bonds. As public authorities investing in some types of infrastructure (e.g., transport infrastructure), these regional bonds could much more likely align with the EU Taxonomy.
- Leveraging sustainable finance tools to structure the criteria for other policy instruments:** example can be using the Do No Significant Harm (DNSH) principle and Minimum Safeguards (MS) when financing a project that may not have a green objective, to ensure Environmental, Social, and Governance (ESG) risks are effectively managed.

The EU  
Taxonomy

Green  
budgeting

Green and  
sustainable  
bonds  
issuance

The DNSH  
principle

Financing tools  
to support SMEs  
transition

Climate  
proofing  
of infrastructure

## REGIONAL PRACTICES IN THE IMPLEMENTATION OF GREEN FINANCE TOOLS

11 European authorities (9 regional and 2 national) answered the survey on green finance practices:



In practice, regions are becoming increasingly familiar with sustainable finance tools, though there still are topics less implemented/used than others. For instance, while green budgeting practices is increasingly seen in Europe at regional or local levels, the implementation of the EU Taxonomy is still used in a segmented way.

Overall, regional authorities use sustainable finance tools for different reasons: for mandatory requirements, on a voluntary basis often seeking to help achieve national climate goals, or both\*.

Mandatory	Both	Voluntary
<ul style="list-style-type: none"> <li>Do No Significant Harm (DNSH) - ERDF</li> <li>EC climate proofing of infrastructure - ERDF</li> </ul>	<ul style="list-style-type: none"> <li>Green budget</li> </ul>	<ul style="list-style-type: none"> <li>EU Taxonomy</li> <li>Issuance of green &amp; sustainable bonds</li> <li>Innovative financing tools to support the transition of regional SMEs</li> </ul>

\* Based on feedback on observations.

## REGIONAL PRACTICES IN THE IMPLEMENTATION OF GREEN FINANCE TOOLS

### Challenges observed

- **Availability and quality** of the data required for accurate assessments e.g., for the implementation of the DNSH or the climate proofing analysis.
- **Limited resources** and internal **expertise**.
- **Gathering and managing sustainability information**, involving **multiple stakeholders** across different **sectors** (e.g., dealing with both finance and climate/environment departments).
- **Complexity and evolutive nature** of the regulatory frameworks e.g., the EU Taxonomy.
- **Administrative burden** for SMEs willing to get public support.

### Impacts observed

- **Enhance regional governance context** by:
  - The promotion of **multi-stakeholder involvement**, encouraging both collaboration among local communities and internal dialogue between the administrations.
  - The promotion of internal or external **dedicated bodies** to oversee the implementation of frameworks.
- Enhance **accountability, transparency**, and investors' **confidence** by providing a clear set of criteria for evaluating projects.
- **Mainstreaming environmental goals** and concerns into financial cycles.

## GOOD PRACTICES IDENTIFIED\*

### Structured governance and frameworks

#### Good practice n° 3

A DNSH Division for the Recovery and Resilience Plan in Spain

#### Good practice n° 11

Annual gender budgeting "Awareness-raising Plans" in Andalusia

#### Good practice n° 13

A dedicated section for SMEs in the Community of Madrid's Sustainable Finance Framework

#### Good practice n° 5

A dedicated section for the DNSH on the Walloon website, including a Q&A on the implementation of the DNSH

#### Good practice n° 9

A participatory budget for climate action in the City of Vienna

#### Good practice n° 8

Oslo's climate budget elaboration process and communication on it

#### Good practice n° 7

Participatory process for the elaboration of the Environmental Provincial Plan on Energy (PEAP) in the Autonomous Region of Trento

#### Good practice n° 1

EU Taxonomy assessment of Region Stockholm's green bond framework

#### Good practice n° 2

EU Taxonomy alignment assessment of the Community of Madrid's green bonds use of proceeds

#### Good practice n° 4

A sectoral approach to DNSH principle implementation for investments in buildings in Slovakia

#### Good practice n° 14

A digital platform in the Canton of Vaud to support entrepreneurs' transition to a sustainable economy



### Stakeholder engagement and information

\*11 out of 16 good practices are quoted in this scheme.

## RECOMMENDATIONS FOR EUROPEAN REGIONAL AUTHORITIES



Enhancing  
governance



Engaging  
stakeholder



Fostering  
transparency

### IMPLEMENTATION OF THE EU TAXONOMY

Gradually adopt the  
EU Taxonomy for  
green bonds  
(PFS, 2024)

Where possible, the  
demonstration of a  
complete alignment of the  
eligible asset with the EU  
Taxonomy

Help public issuers to prepare for the European  
Green Bond Standard (EUGBS)

### IMPLEMENTATION OF GREEN BUDGETING

Establish a shared  
understanding and  
transparent goals  
across finance and  
climate departments

Develop internal  
competencies

Take a stepwise approach  
(OECD, EC, 2022)

### ISSUANCE OF GREEN & SUSTAINABLE BONDS

Engage investors through  
investor roadshows and  
transparent reporting

Internal clear  
documentation processes

Avoid overly rigid goals

Help to adapt to the evolving Taxonomy  
framework

### IMPLEMENTATION OF THE DNSH PRINCIPLE

Develop practical  
guidance with  
examples of good and  
bad practices

Establish efficient internal  
governance systems

Where possible,  
harmonize DNSH  
application

### IMPLEMENTATION OF THE CLIMATE PROOFING ANALYSIS

Collaborate with  
scientific institutions

Integrate climate proofing  
within regional policy  
frameworks

### FINANCING TOOLS TO SUPPORT SMEs' TRANSITION

Streamline application  
processes for SMEs

Offer non-financial  
assistance

Encourage public-private  
initiatives

Enhance awareness to  
facilitate SME engagement  
in sustainability

Help SMEs to prepare for the CSRD and CSDDD entry  
into force

The recommendations are based on the recommendations and solutions formulated by the regions who participated to the GreenGov initial survey, and public reports available on the topics.