

GREEN BUDGETING: FRANCE AND ITALY PRACTICES

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Abstract

Successive industrial revolutions have led to unprecedented changes in the world in the last century. Economic systems that can survive, depending on the constant production and keeping the consumption alive, bring many problems with it. As a result of rapidly growing population and industrialization activities, environmental and climate problems have become one of the important agendas of policy makers. One of the fiscal policy tools that produce solutions to environmental and climate problems is green budgeting. This policy tool, which aims to make budgets more sensitive to the environment while preparing national and local budgets, is a relatively new practice. Especially in Europe, there are countries that implement this policy tool more. Green budgeting policy, which requires radical budget reforms and a determined management approach, is a long-term tool.

This study aims to deal with green budgeting, which is an important tool of environmentally friendly budgeting, from theoretical and practical aspects. Environmentally friendly green budgets can only be successful if they are implemented decisively by national and local governments. France and Italy, which are among the important countries that implement green budgeting, are discussed in the study. There are only two countries in Europe that have issued a "green budget statement", which is an important tool of environmentally friendly budgeting: France and Italy. Therefore, the green budget practices of these countries were chosen as sample country practices in the study. It has been observed that tagging and reporting practices are meticulously applied in these countries that have successfully implemented green budgeting. The environment, which is a global public good, can only be protected through international cooperation. The lack of standards and guidelines is among the biggest challenges in implementing environmentally conscious green budgets. The steps to be taken by international organizations in this regard can encourage countries that want to implement the green budget policy.

Keywords: Green Budgeting, Green Economy, Budget

JEL Codes: H61, H23, Q58

INTRODUCTION

After the first industrial revolution, it has been seen that the events that cause environmental problems have increased rapidly in the world. With industrialization, the consumption of fossil fuels has increased rapidly. Urban centers have received high levels of immigration. Developments in the field of health have contributed to the prolongation of the

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average human lifespan. Increasing production and consumption activities around the world have had devastating effects on the environment. These developments have led to aggressive pressure on the climate. The main problems in this process are; Desertification is the decline of biological species, the destruction of forests, the depletion of the ozone layer, the increase in air, water and soil pollution, the pollution and depletion of water resources.

All these problems are evaluated within the framework of “externalities” in terms of public finance. Externality is the situation in which the economic activity of the individual or firm affects the third parties outside that activity positively or negatively (Gruber, 2016). Other industrial revolutions that followed the first industrial revolution increased the pressure on the environment and natural resources, causing externalities to come to the fore. If there are externalities in an economy, it becomes necessary for governments to intervene in the economy. Because markets cannot produce adequate solutions to externalities. The fact that externalities cross the borders of the country and take on an international dimension reveals the concept of global public goods. Environmental problems can only be solved through global cooperation. Organizations such as the OECD, the IMF, the World Bank and the United Nations have important duties in the implementation of both national and international policies.

When governments intervene in environmental and climate problems, they use fiscal policy tools. Tax policies, regulations, penalties, audits, regulations on public expenditures are the main ones of these policies. Green budgeting is one of the policies implemented by countries at the national and local level in order to find solutions to environmental and climate-related problems. The budget is a policy tool that has an important place in directing public revenues and public expenditures to desired areas. Especially in recent years, international organizations such as OECD, European Union and European Commission have been encouraging the implementation of green budgeting. While green budgeting sounds pretty good, there are quite a few challenges in its implementation.

Environmental and climate issues worry governments and environmentally friendly public policies are becoming popular around the world. Although green budgeting is an important tool to achieve this, its development in the world does not progress equally (Russel and Benson, 2013: 243). The green budget application is mostly implemented in Europe. In many countries, many years are required to switch to "green budgeting". Two countries particularly stand out in green budgeting practice in Europe: France and Italy. There are also important green budgeting practices in different European countries. The only countries that have already issued a "green budget statement" are France and Italy. In this study, the issue of green budgeting will be discussed both theoretically and practically. First, the issue of green budgeting is presented in detail. Secondly, the necessary policies to approximate the budgets of governments to the “green budget” application are discussed. Finally, green budgeting practices in France and Italy have been evaluated from different perspectives.

1. THE CONCEPT OF GREEN BUDGETING

Green budgeting refers to the use of budgeting tools as an aid to achieve goals in climate and environmental policies. In this context, budget policies are aligned with environmental objectives. The contribution of budget income and expenditure items to environmental policies is determined according to certain performance indicators (European Commission, 2022). However, setting these performance targets is not an easy task. Certain budgetary targets may have positive effects for the climate factor but negative effects for biodiversity. For example, promoting electric vehicles may be less environmentally friendly than spending on improving

the energy efficiency of buildings. Policies with positive effects on the environment are called “green”, and policies with negative effects are called “brown” (Bova and Pojar, 2021).

Historically, the budget and budgeting processes have been very important in the development of modern states. Increasing public revenues that can meet public expenditures can have beneficial and harmful environmental effects. For example, policies such as increasing agricultural production and supporting infrastructure projects such as highways can have undesirable effects on biodiversity, water pollution and greenhouse gas emissions. However, changes in expenditure items may have positive results for recycling and critical habitats. Some tax policies may give “false” signals to the market and encourage activities such as pollution. Public expenditures can also be allocated to develop environmental policies. As you can see, budgeting is a process that is intertwined with the environment. “Green budgeting” is a broad activity that includes different economic agents, institutions and instruments. It can be said that the processes of determining expenditure priorities, implementing expenditure programs, monitoring their effectiveness, evaluating and increasing income all have environmental effects. All of these need to be brought together in any green budgeting policy, as each phase has potentially significant environmental impacts. This is one of the difficulties of implementing green budgeting in practice. The position of the environment ministries is another challenge. Because these ministries have a weak influence on the determination of spending priorities. This situation results in that environmental policies are generally not based on expenditure but in a regulatory position (Wilkinson, Benson and Jordan, 2008: 70).

In the green budgeting process, the budget includes the evaluations of fiscal policies to fulfill both national and international commitments. Green budgeting, which will be built on a country's current public financial management, should be integrated with budget performance targets. For an effective green budgeting policy, four basic elements should be included in budgeting. These are as shown in Figure 1; a strong strategic framework, tools for building evidence and policy consistency, effective reporting to ensure accountability and transparency, effective budget governance (OECD, 2020).

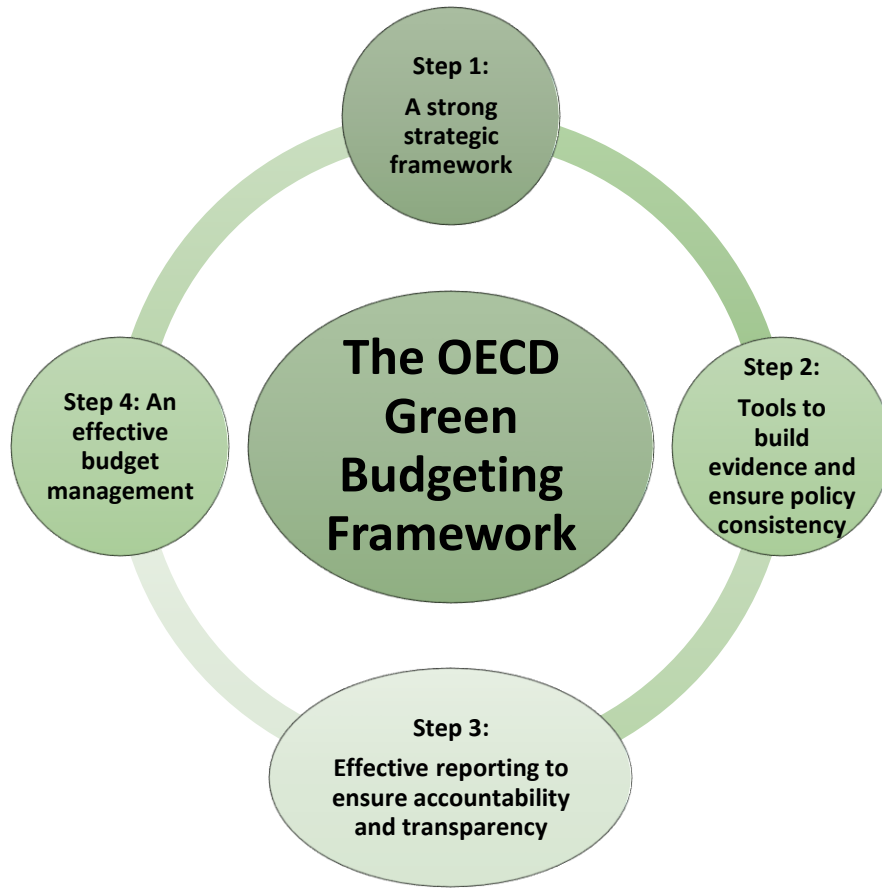


Figure 1: Green Budgeting General Framework Determined by OECD

Source: OECD, (2020), OECD Green Budgeting Framework.

In the first step, environmental strategic priorities need to be determined so that the necessary information can be provided when making financial plans of governments. These strategies help to steer public revenues and expenditures. In the second step, green budgeting tools help to measure the extent to which budget policies meet environmental and climate targets. In this context, green budgeting policies should ensure that the environmental impacts of budget measures are classified, their environmental externalities are priced, and their effects on national and international environmental and climate targets are revealed. In the third step, detailed reports should be shared with the parliament and citizens in order to increase the impact and quality of green budgeting. Finally, a modern budget process that includes processes such as strategic planning, multi-year budgeting is necessary for green budgeting (OECD, 2020).

There are different approaches to assessing the "greenness" of the budget. The measurable effects of budget policies on environmental indicators can be looked at. Budget items are labeled in the green budgeting process. For example, it may be labeled "0" if there is no environmental target, "1" if there is a significant target, and "2" if the main objective of the action is. Due to the problem of time and lack of data, "tagging" may not always be implemented in a quality manner (Bova, 2021: 2).

It is known that industrialized countries are not very willing to tax public evils such as resource consumption and environmental pollution. This situation causes huge external costs and environmental pollution. It is seen that significant subsidies are given to coal mines, which are very damaging to the environment. Environmental issues are mostly tried to be controlled

by "regulations". However, environmental taxes should be used to internalize external environmental costs. This policy, which is in line with the "polluter pays" principle, ensures that economic and environmental policies are integrated. Giving incentives for producers and consumers to move away from choices that will harm the environment constitutes an important pillar of green budget reforms. While green incentives are provided for producers, taxation of non-environmentally friendly production processes is another pillar of these reforms (Schlegelmilch, 1999).

2. DESIGNING BUDGETS IN THE FRAMEWORK OF GREEN BUDGETING

Comprehensive structural reforms are required to find solutions to global environmental problems and major economic problems. Among the most important obstacles to sustainability are global warming, air and water pollution, extinction of some species, and reduction of forest areas. Without fundamental reforms, economies can be expected to experience serious difficulties in resource and environmental management. If policy makers want to achieve a sustainable development in the environment, they need to make some policy reforms. In particular, tools such as taxes and subsidies need to be used quite effectively. Tax instruments have various purposes. These include reducing environmental pollution, internalizing externalities, providing funding for R&D in environmental technologies. If these results are made transparent to taxpayers, the acceptability of policies may increase. The most effective tools of policy makers on environment and development policies are state budgets. Since public expenditures, which are an item of the budget, usually constitute between 35% and 50% of the GDP in a country, budgets are among the most practical tools to determine the government's environmental policies. Public expenditures and public revenues have long-term effects on environmental problems. Taxes, subsidies and incentives can be effective in solving common problems of industrialized countries such as the development of green energy, sustainable agricultural activities, recycling, air and water pollution. Non-environmental taxes and subsidies raise concerns about the sustainability of the environment. Tax exemptions and exemptions can be linked to environmental performance when designing the government budget. Environmentally friendly green budgets consist of a mixture of many policies (Gale and Brag, 2013: 2-3).

Green budget policies were first discussed at the First Sustainable Cities and Towns Conference in 1994. When budgets are designed in an environmentally friendly way, they enable the most rational evaluation of limited public resources. Budgets have an important function in ensuring environmentally friendly sustainable development. Practices such as preparing public expenditures in an environmentally friendly manner, supporting environmentally friendly activities with subsidies, and preventing the allocation of appropriations from the budget to non-green activities are beneficial policies for sustainable development. In case of greening of local budgets along with government budgets, it will enable policies to reach a global dimension from the local level (Ergen, 2021: 71).

There is no global practice unity on green budgeting. There are a number of tools developed by countries starting from the 1987 report of the Brundtland Commission (World Commission on Environment and Development) until today. These can be listed as follows (OECD, 2017):

- Climate Budget Tagging: It has been used in some Asian countries to determine whether the expenditures made through the budget are meeting the climate change targets.
- Climate Change Financing Framework (CCFF): This tool aims to involve all relevant stakeholders in the use and management of local climate finance resources. To ensure

this, the CCFF explains which items in the budget are “climate-related financing allocations” and how they are used. The main purpose is to create an institutional framework.

- Green Procurement: In order to make the expenditure items of the budget greener, environmental criteria should be applied in public procurement. However, it is not necessary to apply environmental criteria for all public expenditures.
- Public Economic Enterprises and Public Private Partnerships (SOEs and PPPs): The activities of these organizations should be designed to minimize environmental damage.
- Environmental Impact Assessment (SEA): SEA has become standard and widespread in many OECD countries.
- Budget Allocation: It has been decided to allocate at least 20 percent of the European Union's total budget for the period 2014-2020 to combat climate change.

Table 1: Policy Mix for Green Budget Reform

Volunteering- Based Tools	<ul style="list-style-type: none"> • Promotion, encouragement and moral approach • Educational activities • Authorization of third parties other than government • Setting voluntary standards in the industry.
Government Regulations	<ul style="list-style-type: none"> • Direct regulations such as legislation and standards • Planning on resource management • Setting standards on emissions and products • Increasing competencies in professions such as law, accounting and engineering
Public Expenditures	<ul style="list-style-type: none"> • Spending Programs and distribution • Development of public infrastructure programs • Presentation of financial incentives such as subsidies, grants and tax breaks (for R&D, environmental protection, promotion of green technologies)
Public revenue	<ul style="list-style-type: none"> • Tax • Non-tax public revenues

Source: Gale and Barg, 2013.

Green budgeting “life cycle” consists of five closely related processes (Figure 2). In the first stage of the said process, strategic planning is made according to the spending priorities. In the second stage, the annual national budget prepared according to the medium-term plan is prepared by the ministries of finance and approved by the parliaments. The third step is the implementation of the approved budget. In order to ensure the protection of the environment, some rules are imposed on public expenditures, especially during the implementation phase. In

the fourth stage, the reporting and evaluations of the implemented budget are made. In the fifth stage, the previous steps are supported by the income increase process (Wilkinson, Benson and Jordan, 2008: 72).

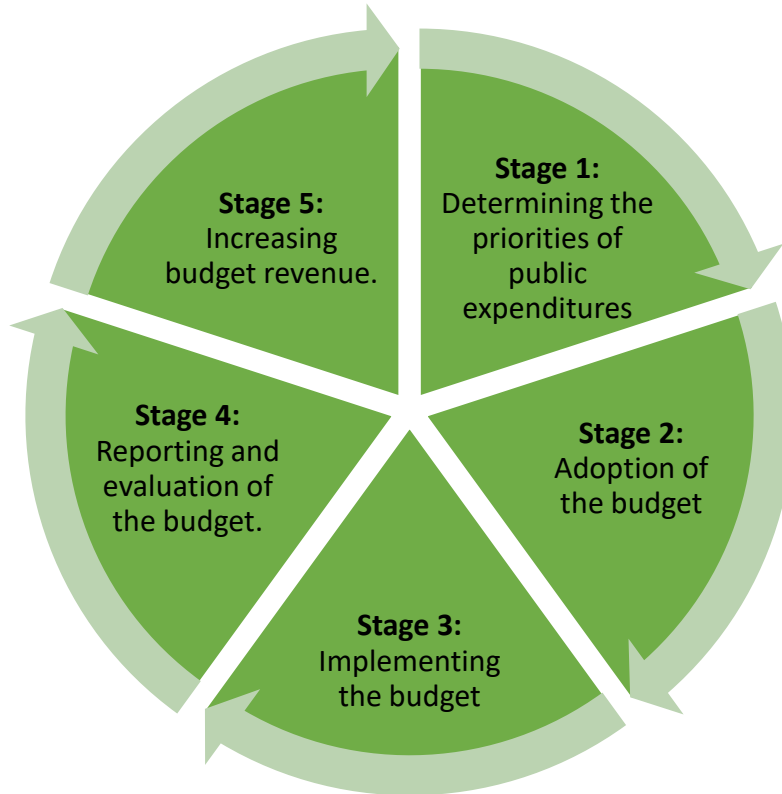


Figure 2: Life Cycle in Green Budgeting

Source: Wilkinson et al, 2008.

A major challenge for governments once the green budgeting target has been set is how to successfully implement this policy. A strong strategic framework must first be established for green budgeting. This framework should be considered in a wide scope, from government policies to future goals and plans. The data to be obtained from previous applications will enable more realistic public expenditure and tax planning within the strategic framework. In the green budgeting process, the roles and responsibilities of different individuals and institutions should be determined. Responsibilities and roles should be established for the different ministries, statistical agencies and citizens, together with the central government and the environment ministries. However, the central government has a prominent role in the green budgeting process. In green budgeting processes, the central budget authority and the ministries of environment and climate change generally carry out the process together. The involvement of different ministries in the green budgeting process can increase success in achieving environmental goals. Cooperation between institutions is important for the success of green budgeting policies. Coordination mechanisms can be developed to ensure this cooperation. Since green budgeting policies require some specific expertise not found in classical budgeting processes, an expert advisory group should be established. The expert advisory group can bring together experts from civil society and provide technical guidance. The consistency and quality of the data obtained in the green budgeting process should be tied to certain standards. A strongly established quality assurance system will help to properly label budget instruments as

“green”. The “green budget tagging” process is one of the most time-consuming applications in the first years of the green budget implementation. This difficulty gradually decreases in the following years. A systematic guide to “tagging” would be very helpful. Staff training will be beneficial for capacity building in the green budgeting process. The harmonization of “budget tagging” processes with international practices increases transparency and accountability, and also enables comparisons between countries. Information and statistics obtained from the “green budget tagging” process should guide policies such as climate change and environmental pollution (OECD, 2021a).

Table 2: Most Used Policy Tools for Green Budgeting, 2020

Country	<i>Ex ante or ex post</i> environmental impact assessments (individual or all measures)	Environment al cost-benefit analysis (individual or all measures)	Carbon assessments	Carbon pricing instruments (including fuel and carbon taxation)	Environmenta l tax reform	<i>Ex ante or ex post</i> green budget tagging
Austria	•		•			
Canada	•	•		•		
Colombia	•	•	•	•	•	•
Denmark	•	•	•		•	
France	•	•	•	•		•
Ireland	•	•	•	•	•	•
Italy	•	•	•			•
Luxembourg						•
Mexico						•
Netherlands	•	•	•	•	•	
Norway	•	•	•	•	•	•
Portugal	•			•	•	
Sweden	•	•	•	•	•	
United Kingdom	•	•	•	•	•	
OECD Total						
• Yes	12	10	10	9	8	7

Source: OECD, 2021b: 127.

Table 2 shows the main policy tools used for green budgeting. Accordingly, 14 out of 35 OECD countries have declared that they have implemented green budgeting. Environmental impact assessments are one of the most widely used policy tools. Environmental cost-benefit analyzes and carbon assessments are carried out in 10 countries. Carbon pricing, environmental tax reform and budget labeling are among other key tools.

3. GREEN BUDGETING EXAMPLES

3.1. Green Budgeting in France

France uses the labels "favourable", "neutral" or "unfavourable" in its budget items. Missions are classified as a subcategory of programs. For example; "Railways" as a mission may be under the "ecology and sustainable development" program. Because of the distinctions made according to environmental contributions, one mission may be fit for purpose and unfavorable for another. For example, while 4.7 billion euros allocated to railways are suitable for climate change and reducing environmental pollution, it is considered not suitable for water, waste management and biodiversity. "General Inspectorate of Finances (IGF)" and "General Council for the Environment and Sustainable Development (CGEDD)" carry out a coordinated

work in order to successfully carry out green budgeting processes in France. A “yellow book” was developed by the IGF and a guide was created for ministries and other public institutions. In November 2018, the "High Council for Climate" (HCC) was established under the Prime Ministry. The HCC makes independent recommendations and assesses the consistency of policies, particularly within the framework of the “Paris Agreement”. HCC makes assessments on reducing emissions and carbon footprint. Every five years, the HCC publishes a report containing important information on France's carbon strategy. HCC consists of 12 members in total. Members' areas of expertise are climate change, economics and finance, agriculture and energy. In 2017, France announced the “Paris Cooperation” project on green budgeting, together with Mexico and the OECD. In November 2018, the “Supreme Climate Council” was established in France to advise the government on climate change. The “Yellow Book” published in 2020 was about financing the ecological transformation. The General Inspectorate of Finances (IGF) and the General Council for the Environment and Sustainable Development have developed a new method to identify green items in the French budget. The “Yellow Book” is an important step in green budgeting. It is the first initiative in terms of ensuring environmental impacts, general consistency and transparency within the budget. The "tagging" of the budget items gives important information about the environmental effects of the activities. In France, 38.1 billion euros of "green spending" was made in 2021, which corresponds to 6.6 percent of public expenditures. It has been determined that 9 percent of the 574.2 billion Euro public expenditures are expenditures with environmental impacts. Of this amount, 6.6 percent is environmentally beneficial, 1.7 percent is harmful to the environment, and 0.8 percent is neutral expenditure (OECD, 2021a).

Green public financial management is a strategy related to the application of climate and environmental policy policies to public financial management processes. In France, green budgeting is considered in a much broader framework. Objectives such as protecting biological diversity and minimizing environmental pollution are included in the French green budget process. The steps to be followed by the relevant ministries in the budget preparation process are clearly set out in the budget circular. In France, there is a rule to add environmental impact assessments to the cost-benefit analyzes when taking new policy measures (Gonguet et al., 2021).

“Report on the Environmental Impact of the Central Government Budget” was published in France in September 2020. This report provides information on the environmental impact of the budget items as an appendix to the budget draft. The basic information presented in the report can be summarized as follows; (France Government, 2020).

France is one of the first countries to make a commitment to reduce carbon emissions by 40% by 2030 within the framework of the Paris Agreement and achieve this.

- France is the first country to initiate the “green labeling” practice. Thanks to this application, a more transparent presentation of environmental information has been provided.
- The French government has set six environmental targets to evaluate the environmental impacts of public expenditures within the framework of its green budgeting policy: “I-Fighting climate change, II-Adapting to climate change and preventing natural risks, III-Managing water resources, IV-Circular economy, waste; preventing technological risks, V-Fighting pollution, VI-Conserving biodiversity and protecting natural areas, farmland and forests”.

- There are three types of labeling: green, gray and brown. There is “Favourable expenditures” in the green color category. These expenditures are directly or indirectly positive for the environment. There is "Neutralexpenditures" in the gray color category. It covers activities that do not have sufficient information about their effects on the environment. There is “Unfavourable expenditures” in the brown color category. While these expenditures are harmful to the environment, they also encourage harmful activities.
- In the 2021 Budget Law, 38.1 billion euros were allocated in the “green spending” category, 4.7 billion euros for “mixed expenditures” that have both positive and negative effects on the environment, and 11 billion euros for expenditures that have negative effects on the environment.
- Expenditures made to increase the energy efficiency of buildings are among the expenditures that have positive effects on the environment.
- 8.5 billion euros has been allocated within the framework of the “Under the Green Infrastructures and Mobility Objective”. This resource includes subsidies to be used for charging stations for electric vehicles and promoting environmentally friendly green vehicles.

3.2. Green Budgeting in Italy

Green budgeting in Italy was initiated to provide greater transparency about expenditures. With the “Law of Accounting and Public Finance” numbered 196/2009, a requirement to submit a report to the government has been introduced. This report forms part of the general budget final accounts. It provides information on the environmental impact of public expenditures. In 2011, the parliament requested another report. This report stipulated that more regular statistics of environmental expenditures should be kept at both the country and regional levels. The Italian parliament has requested a list of non-environmental subsidies from the Ministry of Environment, Land and Sea. In Italy, regular presentations are made to parliament to assess the environmental impact of budget implementation. Italian green budgeting mostly focused on expenditures in green budgeting policy. Italy is one of the two countries in the OECD that has published a "green budget statement". This declaration reveals how green policies are supported by the budget, how much progress has been made in practice, and how much green budgeting policies affect individuals or companies. In Italy, as in France, the "tagging" method is applied in green budgeting. The guidance of the central government has been very helpful in the successful implementation of this method (OECD, 2021c).

In Italy, "Catalogue of Environmentally Friendly and Harmful Subsidies" is prepared by the Ministry of Environment, Land and Sea. This catalog reveals the extent of the financial erosion caused by tax cuts and expenditures. The subsidies in the catalog are evaluated by sectors such as agriculture, energy and transportation. This catalog is prepared at the request of the assembly. Budget labeling is also applied due to the parliament's request to ensure transparency in environmental expenditures. In many countries, green budget labeling is done at the first stage of the budget, while in Italy labeling is done both at the pre-budgetary and post-budgetary stages (OECD, 2021a).

In Italy, the main objectives of the public expenditure item in the state budget are divided into 34 missions such as "justice, public infrastructure, competitiveness of companies". For example, in the 2020 budget, each mission is divided into programs between 1-13 and consists of a total of 103 programs. In order to prepare an "Eco-report" for the budget, various steps are followed in the monitoring of expenditure items. First, expenditures that exclude environmental

expenditures, which include only environmental expenditures, and whose ultimate purpose is not clear, are determined. Secondly, a reclassification is made for expenditures whose ultimate purpose is not clear. Environmental expenditure is not assumed unless there is clear evidence of how resources are used. Thirdly, according to the “CEPA-CReMA” classification systems, expenditures that include an environmental expenditure element in public expenditures are reclassified. “Eco budget” is prepared by the Ministry of Finance. The Ministry of Finance prepares the next year's budget draft based on the previous year's realizations and the "Eco Report". “Eco-budget” and “Eco-Report” are prepared by a narrow group of experts within the Ministry of Finance. In the first phase of the implementation, the ministry reveals the relationship of the activities with the environmental targets. This first classification is temporary and shared with accountability centres. The preparation process for the "Eco-Report" in Italy begins in April. The Ministry of Finance requests all public administrations to submit a report on the environmental share of resources used last year. After the Ministry of Finance reviews these reports in April and May, an "Eco-Report" is announced. In Italy, the "Eco-Report" and the "Eco-budget" are presented to parliament each year as part of the annual budget. In addition, a report is presented on how close the policies are to the emission reduction target, climate assessments and sustainable development (Boya, 2021).

In Italy, environmental taxes and subsidies are more widely used in the transport, energy and agriculture sectors. However, the starting point of these taxes was not entirely due to environmental reasons. Studies show that; It is estimated that the environmental harmonization of current taxes, the introduction of new green taxes, and the adjustments to subsidies will result in an income increase of between 0.5% and 2% of GDP. Green reforms in public revenues are expected to be implemented gradually. Italy implements selective policies in green reform. Some of these policies can be listed as follows; align vehicle taxes with greenhouse gas emissions, reduce privileges for company vehicles, match the tax system with energy and environmental objectives, revise privileges for sea and air transport, make funds in the agricultural sector greener, ensure sustainable taxation of limited resources such as water. High levels of renewable energy support and incentives to increase the energy efficiency of residences are also one of the main objectives of green reform (Zatti, 2020: 49).

“Sardinia” in Italy is a good example of the regional application of green budgeting. The basis of the green budget implementation in Sardinia is "environmental protection, consumption of natural resources, analysis of management expenditures". The green budgeting method applied by the Sardinia region is close to the national budget of the central government. This application, which started to be implemented in 2019, is compatible with the CEPA and CRUMA code systems. Expenditures in certain areas are monitored on the draft budget. The main ones of these areas are; protection of forests, management of water resources, rehabilitation of soil, waste water management and R&D activities. Statistics to be collected from these areas are classified according to sectors, types of expenditures and institutions making the expenditure. In 2021, 790 million euros were allocated to nine sectors for the protection of the environment and the use of natural resources (OECD, 2021b).

CONCLUSION

Environmental and climate-related problems fill the agenda of governments more and more every day. Fiscal policy tools are one of the most frequently used methods to find solutions to these problems. Another popular tool used in recent years against environmental problems is green budgets. A set of goals and tools added to the classical budget process consists of the

implementation process. The green budgeting process is a long-term and complex process. The studies of the OECD and the European Union on green budgeting are important steps.

In order for green budgeting to be implemented, the strategic framework must first be produced on strong foundations. In order to ensure the transparency and accountability of the budget process, a number of actions need to be taken. An effective reporting both ensures transparency of the budget and facilitates accountability. Strategic planning and implementation of multi-year budgeting are important for the success of the green budget. The budget needs to make both income and expenditure items greener. In particular, subsidies to fossil resources are public policies that harm the environment in industrialized countries. Directing incentives and subsidies to environmentally friendly areas is one of the main goals of green budgeting.

Policy makers need to be determined in order to implement the green budget implementation. Such a policy instrument can only be implemented through radical reforms. The public, parliament and business should support these reforms. In order to provide this support, governments need to clearly state their policy objectives in the long term. Sharing the data accurately and clearly with the public on time will ensure transparency and provide general support to the policy. The cancellation of subsidies provided to environmentally harmful sectors and the provision of these supports to environmentally friendly sectors may displease certain segments. In order to minimize discontent, both the national government and local governments should take an active role in the green budgeting process. The green budget reform should be explained to the citizens correctly and their voluntary compliance should be ensured.

One of the most effective and successful methods in green budget implementation is “tagging”. Accordingly, the expense items of the budget are divided into categories (colors) according to whether they are harmful to the environment or not. A detailed guide should be prepared for this application and trainings should be given to institutions. Such a budget management is not a process that only the Ministries of Finance can carry out. An advisory board consisting of Ministries of Environment and Climate and experts should be included in the green budgeting process. Coordination of these ministries can achieve significant success at the national level. However, international cooperation is also important in the success of green budgeting. International organizations should provide cooperation to promote green budgeting. The role of the United Nations on the environment is very important. The recent example of this reflected in the policies has been the Paris Climate Agreement. In order to ensure the sustainability of the environment, the parties to the agreement are required to fulfill some of their commitments over the years. One of the most important tools of environmentally friendly fiscal policies is green budgets. Especially economic and financial institutions should guide this policy. A literature of the OECD on this subject has started to emerge in recent years. However, it is not yet clear what a country that wants to implement its green budget policy should do. Guidelines to be prepared based on successful examples such as France and Italy can reveal the basic framework of green budgeting. Guidelines and standards to be prepared will guide policy makers in the preparation phase of green budgeting. The details of the implementation can be evaluated within the framework of each country's own macroeconomic dynamics.

The "Yellow Book" application, which France started to implement for the first time, is an important step in the field of green budgeting. It is a reference source for adding environmental impacts to the budget program and ensuring transparency. The French green budget process is one of the most comprehensive in the world. In France, some green budget reforms are being carried out within the framework of harmonization with the Paris Agreement.

It is the first country in the world to initiate the "green tagging" application. This sample application is a powerful tool to increase the success of the green budget policy. The implementation of "tagging" by governments that adopt the green budgeting approach will increase their success.

Italy is one of the two countries that has published a "green budget statement". The publication of this declaration demonstrates a country's commitment and transparency in its green budget policy. Ensuring transparency is an important pillar of green budget policies in Italy. The environmental effects of public expenditures are shared with the public in detail. In Italy, not only the Ministry of Finance, but also the Ministry of Environment, Land and Sea are actively involved in the green budget implementation. In Italy, "Eco budget and Eco-Report" are among the important tools of the green budget.

Finally, environmentally conscious budgeting is a vital policy for a sustainable environment and climate management. It will be a beneficial initiative for humanity if industrialized countries adopt this understanding and put it on a legal basis. Lessons to be learned from France and Italy practices can be a guide for countries planning green budgeting. A rapid progress can be achieved if the successful aspects of these sample country practices are implemented directly and the deficiencies are revised.

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