

## **ENVIRONMENTAL FISCAL REFORM**

### **1. Clarification on the understanding on the environmental fiscal reform**

Tools and policy measures are country specific – depend on needs and challenges of the country, level of development, socio- economic factors and policy framework in the country

3 main types of fiscal instruments:-

- Taxation
- Subsidies
- Financial support and incentives

Also environmental expenditure was discussed.

The group discussed on the capturing of environmental externalities and revenue generating through taxation.

Eg. In Guana , taxation accounts to 20% of the GDP

### **2. What are the strengths and limitations of each tool?**

Any environmental fiscal reform has big potential acceptability for both taxation and subsidies and is a very sensitive issue for any government regime.

Several countries are spending considerable amounts of public money on subsidies, namely fossil fuels. It is important that govt. spends less in areas that deplete the natural capital and also this will automatically promote the transition to green economy e.g removal of fossil fuels will boost renewable energy

Communication: the govt should do an extensive public communication campaign to explain the nation on the reform process but at the same time , the people should see the money being redirected into environment priority areas for public expenditure.

Nigeria – Subsidy removal and empowerment programme ( employment for youth )

Any subsidy reform should be carefully drafted , well planned and take into account the needs of the poor.

The example of Nigeria was given where the removal of subsidies on petroleum products by the govt in 2011 along subsequent price spikes for transportation and food caused a nation wide strike.

Energy subsidy reform in Indonesia because the govt could not support it further.

Transitional support for smooth and gradual removal of the subsidies

### **Case studies**

Nigeria

There has been an initiative led by the national bank for an agreement by all banks. So , anyone who wants to access the funds from the banks for any project should first show evidence that they are taking all environmental considerations e.g. they should produce the EIA Licence

Mauritius

Levy on petroleum products goes into MID Fund  
Funds from CSR go to welfare projects

### **3. How are / would you use the tools / instruments in your country?**

We discussed about user pays, polluter pays

In Ethiopia, they are having problem of land degradation because of mountainous land and also problem of siltation. So, they want to introduce Payment for Ecosystem Services and user fees by people owning the infrastructure to communities.

Then countries like Sudan , Mauritius , Burkina Faso all had the problem that the environmental taxation were not being directed for priority environment services. So there was a pledge that environmental taxation funds should not be used exclusively for environment projects.

For Nigeria, they have an Ecological Fund which rep. % of the national budget. the funds are used for priority ecological problems – soil erosion , certification , environmental emergencies.

For Mauritius, to tackle wastes, the Extended Producer responsibility will be appropriate.

Boosting recycling by providing fiscal incentives.