

Capacity Development for Environmental Fiscal Reform

A Training Seminar for Policy Makers, Administration Officials and NGO Representatives

Background

Environmental fiscal reform (EFR) refers to a range of taxation and pricing measures that can free up economic resources and/or generate revenues while helping to reach environmental goals. The underlying rationale of EFR is the correction of false price signals within the economy.

There are different relevant EFR **instruments** in developing and transition economies:

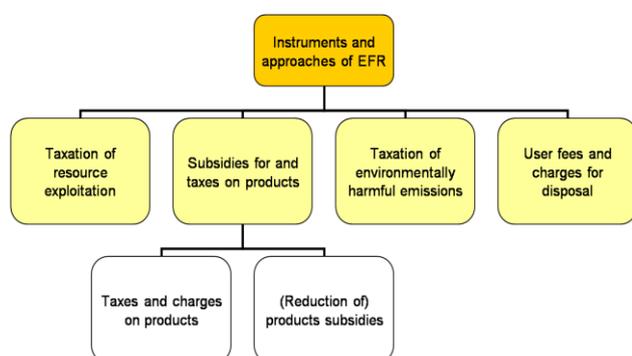


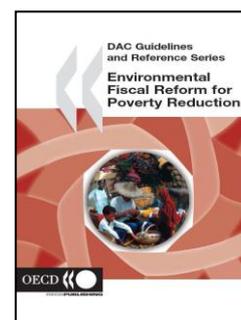
Figure: Instruments and approaches of EFR

The implementation of EFR can have four major benefits which are interlinked and mutually reinforcing:

- **Environmental:** EFR can directly address environmental problems that threaten the livelihoods and health of the poor, can improve the resource efficiency of all stakeholder activities, including leading to sustainable use of natural resources.
- **Economic:** EFR can reduce the abatement cost of negative environmental impacts and also generate revenues that can help to finance efficient and cost-effective (environmental) services.
- **Social:** EFR can help reduce negative environmental impacts, especially on poor and other vulnerable groups, and finance access of the poor to water, sanitation and electricity. In European countries revenues from EFR are also used to reduce ancillary wage costs, thus reducing overall labor costs and boosting employment.
- **Structural:** EFR can be designed in such a way that it contributes to good governance. If EFR instruments are designed to be applied cost-efficiently, involve relevant stakeholders during the design process, and are effectively enforced, this can result in enhanced transparency and accountability.

Capacity Development and EFR

The GIZ sector project Rioplus is involved in various EFR related processes. Responding to a demand of broad capacity development approaches by policy makers that attended the Global Conference on Environmental Taxation (GCET) in Munich 2007, the GIZ together with the non-governmental organisation Green Budget Germany (GBG/FÖS) has designed an **interactive training seminar** that focuses on the different conceptual and thematic dimensions of EFR. The training is based on the OECD Development Assistance Committee (DAC) Guidelines on “EFR for Poverty Reduction”.



Objectives of the EFR training seminar

- Understanding of EFR basic concepts and definitions
- In-depth knowledge of EFR approaches in various sectors and countries
- Detailed knowledge of the potential benefits and limits of EFR
- Increased capacity to discuss and design appropriate EFR strategies

Target group

The workshop can be adapted to different target groups:

- Workshop bringing together representatives of relevant ministries (i.e. environment, economy/industry, finance) and administration officials (national and local authorities) as well as NGO representatives of developing, emerging and transition economies.
- Workshop for staff of development programs and projects: Familiarization with the subject of EFR and development of ideas for future activities.

The workshop can be held for a group of 10-20 participants.

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Modules

- **Introduction:** Participants reflect upon and communicate the current situation in their respective countries with respect to EFR. A first introduction to definitions, concepts and instruments of EFR is given.
- **Industrial pollution:** The EFR policy cycle is introduced and practically applied on environmental issues. Focusing on industrial pollution participants discuss the use of different instruments including taxes, charges, standards and environmentally friendly subsidies. By that participants learn to identify and avoid possible obstacles to the implementation of EFR.
- **Transport:** Participants analyze the economy and existing EFR instruments in their respective home countries. A policy reform proposal in the transport sector is developed.
- **Environmental Harmful Subsidies:** An overview on relevant information on fossil fuels and energy is given. Participants learn how to sketch out policy proposals in these sectors in order to dismantle Environmental Harmful Subsidies (EHS) and how to deal with likely stakeholder opposition.
- **Waste Management:** Options for using economic and financial instruments in solid waste management are presented. Participants develop and evaluate concepts for various instruments.
- **Personal Action Plan:** Participants apply their acquired EFR knowledge to their own country and prepare a personal action plan.



Methodology

The seminar employs innovative methods and uses all available opportunities for interactive group work. Based on the casework methodology of the Harvard Business School, it takes a practical approach to EFR. This method incorporates discussions about nationally appropriate EFR approaches (based on insights put forward by the participants). Furthermore, conclusions are developed through joint debate rather than on the basis of 'ready-made' teaching messages. Case studies cover various aspects of EFR. Using a range of materials, participants design and 'test' EFR elements in a number of different contexts.

Organization of Seminars

The GIZ sector project Rioplus is organizing training seminars only on demand. A full training using all modules takes about 3 to 4 days (not counting translation, if this is necessary). However, depending on the knowledge and the specific interests, the modular approach enables the trainer to adjust the course contents to the particular needs of the target audience. Therefore, the training seminars can vary significantly. Short sessions lasting 2-3 hours for a first introduction of the topic are possible, as well as full trainings that last between 1 and 4 days.

The logistical planning and carrying out of the seminars should be done by a local organizer. The fees and travel expenses for the trainers must be covered.

GIZ also provides training materials free of charge as well as contacts of suitable trainers to institutions interested in organizing a training themselves.

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