Addis Tax Initiative

ATI Workshop Series: Environmental taxation and related instruments

Workshop 4: Mitigating Negative Social Impacts

20 March 2025

Tax systems that work for people and advance the Sustainable Development Goals

german cooperation
DEUTSCHE ZUSAMMENARBEIT

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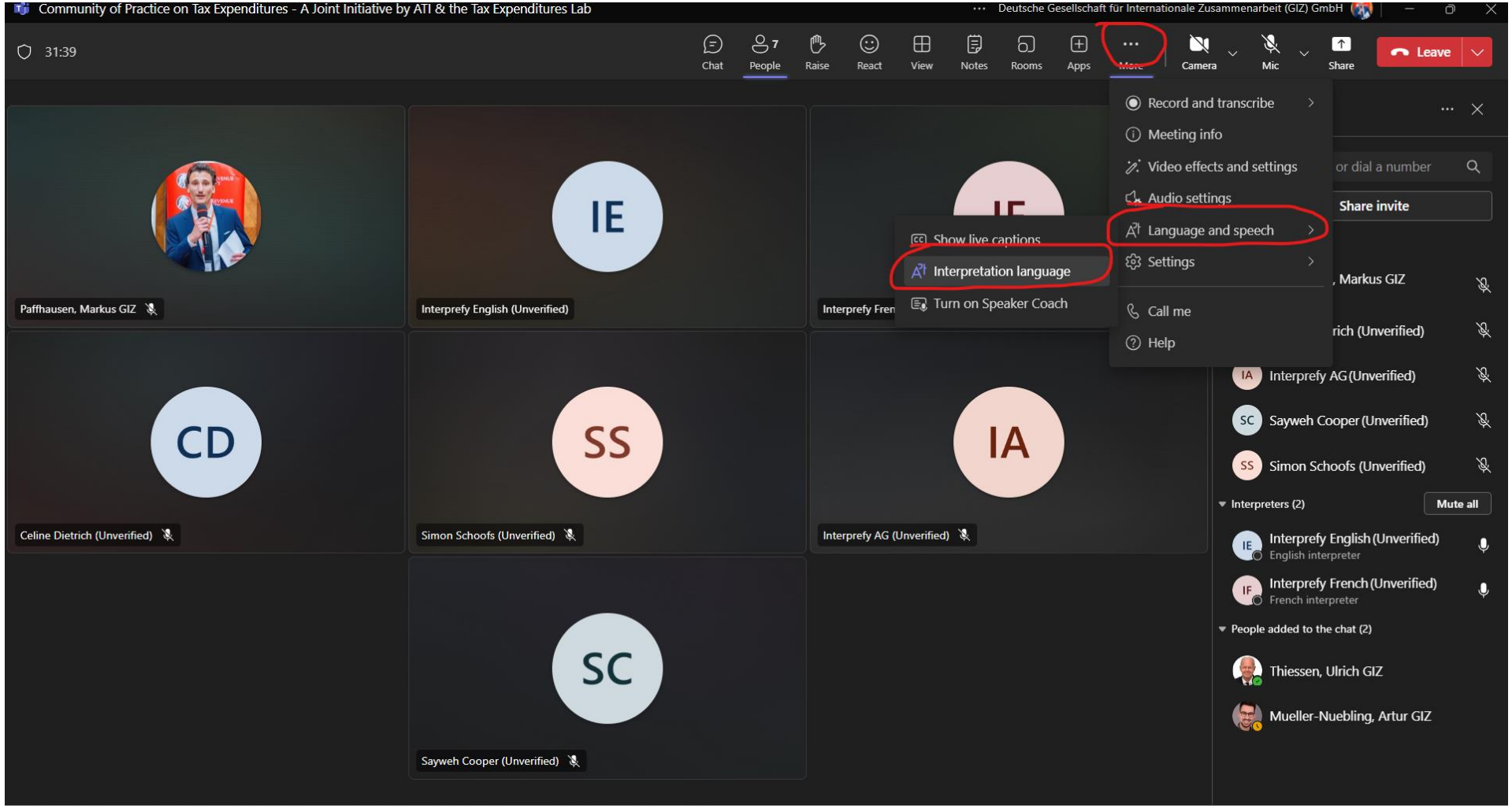
Facilitated by itc

Interpretation



Agenda

Time (CET)	Topic	Speaker / facilitator
13:00 – 13:10	Welcome and introduction	ATI Secretariat
13:10 – 13:30	Introductory presentation: possible strategies to mitigate negative social impacts	Jacqueline Cottrell
13:30 – 14:00	The 2017 tax reform for acceleration and inclusion in the Philippines (30 min)	Kiarestel Lleno, Senior Tax Specialist, National Tax Research Center, Philippines
14:00 – 14:45	Commentary from ATI countries	Rafael Balda Velásquez and Pablo Albán Orbea, Ecuador Esther Shangadi, Namibia
14.45 – 15.00	Reflections & conclusions, key messages	Jacqueline Cottrell

Workshop methodology and rules

To maximize learning outcomes, this workshop series will be **interactive** and facilitate for peer-to-peer learning and exchange

Everyone will have the opportunity to **participate actively** and share their experiences with the group

Please **mute your microphone** and keep your camera off when someone is presenting

Please **raise your hand** when you would like to ask a question

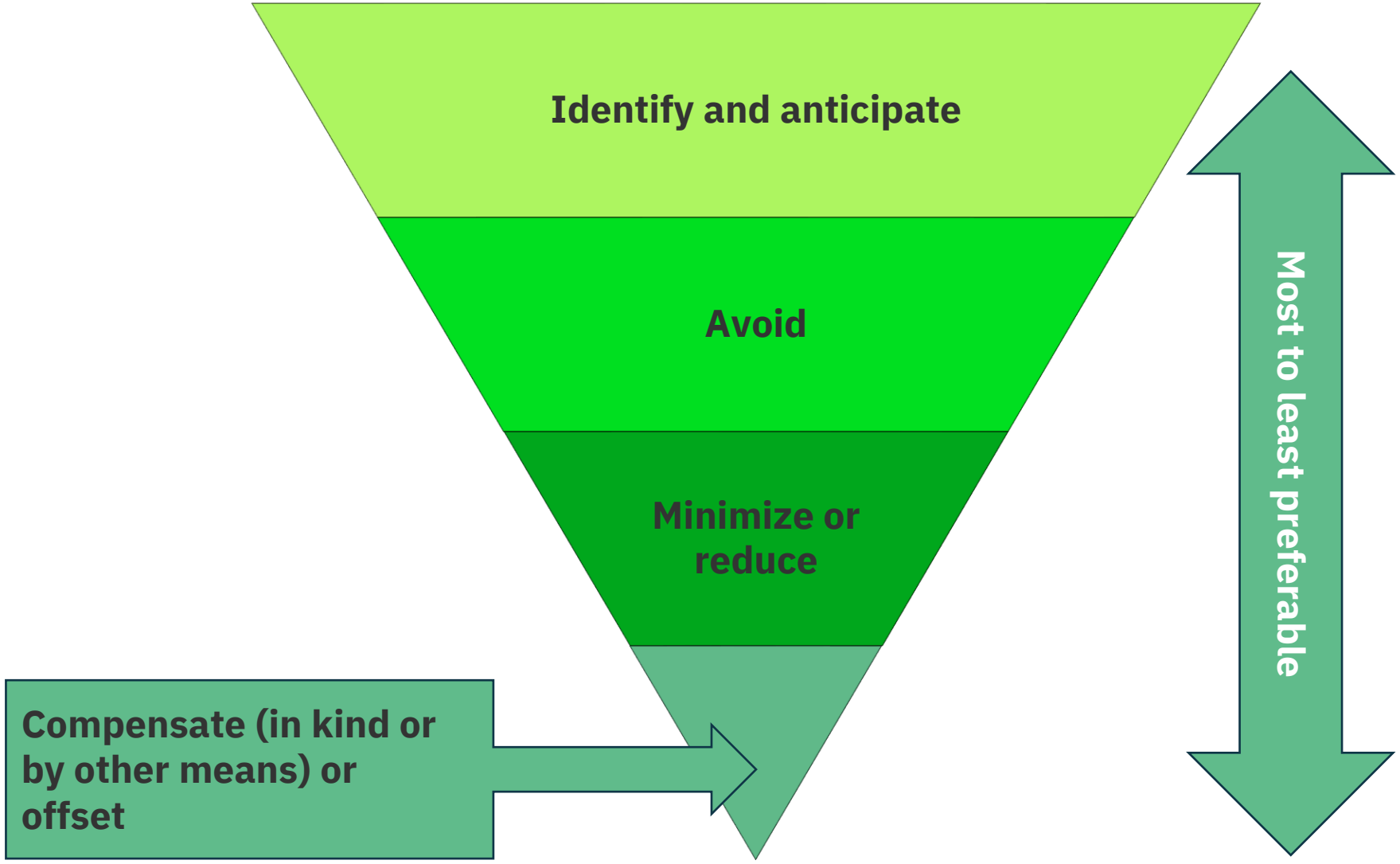
Please have your camera on for group work and discussions in the plenary, if your connection is stable enough

Introduction to workshop 4: Mitigating negative social impacts

Reminder: Definition of environmental taxation for the workshop series

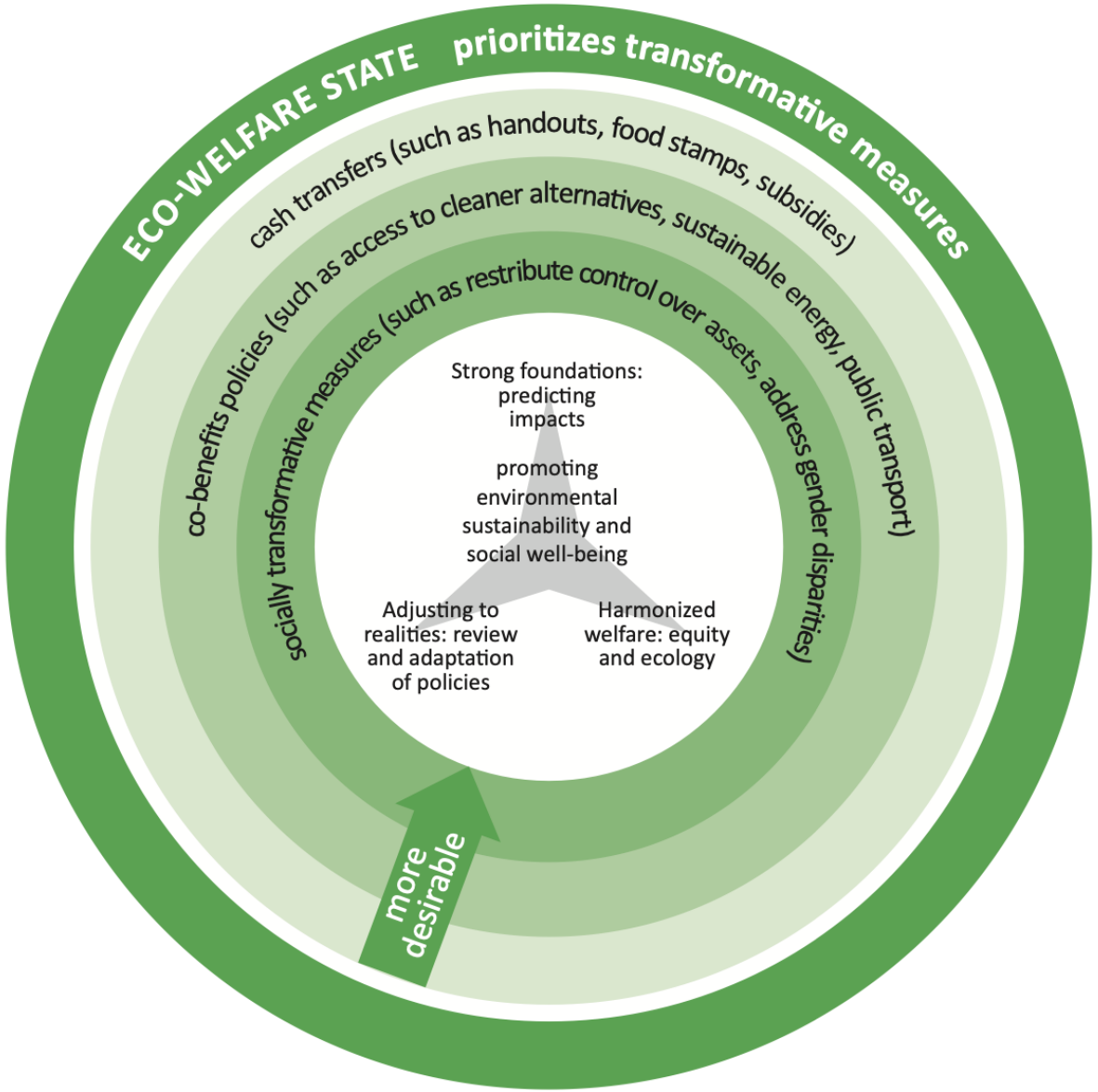
- Definition of environmental taxation that covers environmental taxes, fees and charges
- Includes all payments that are government attempts to manipulate prices with the intention of changing behaviour in favour of a positive environmental impact
- We try to look at environmental taxes other than carbon taxes, such as taxes on road vehicles, road use, aviation; taxes on air, water and soil pollution; taxes on natural resource extraction and use, including forestry, mining, fisheries

The social mitigation hierarchy



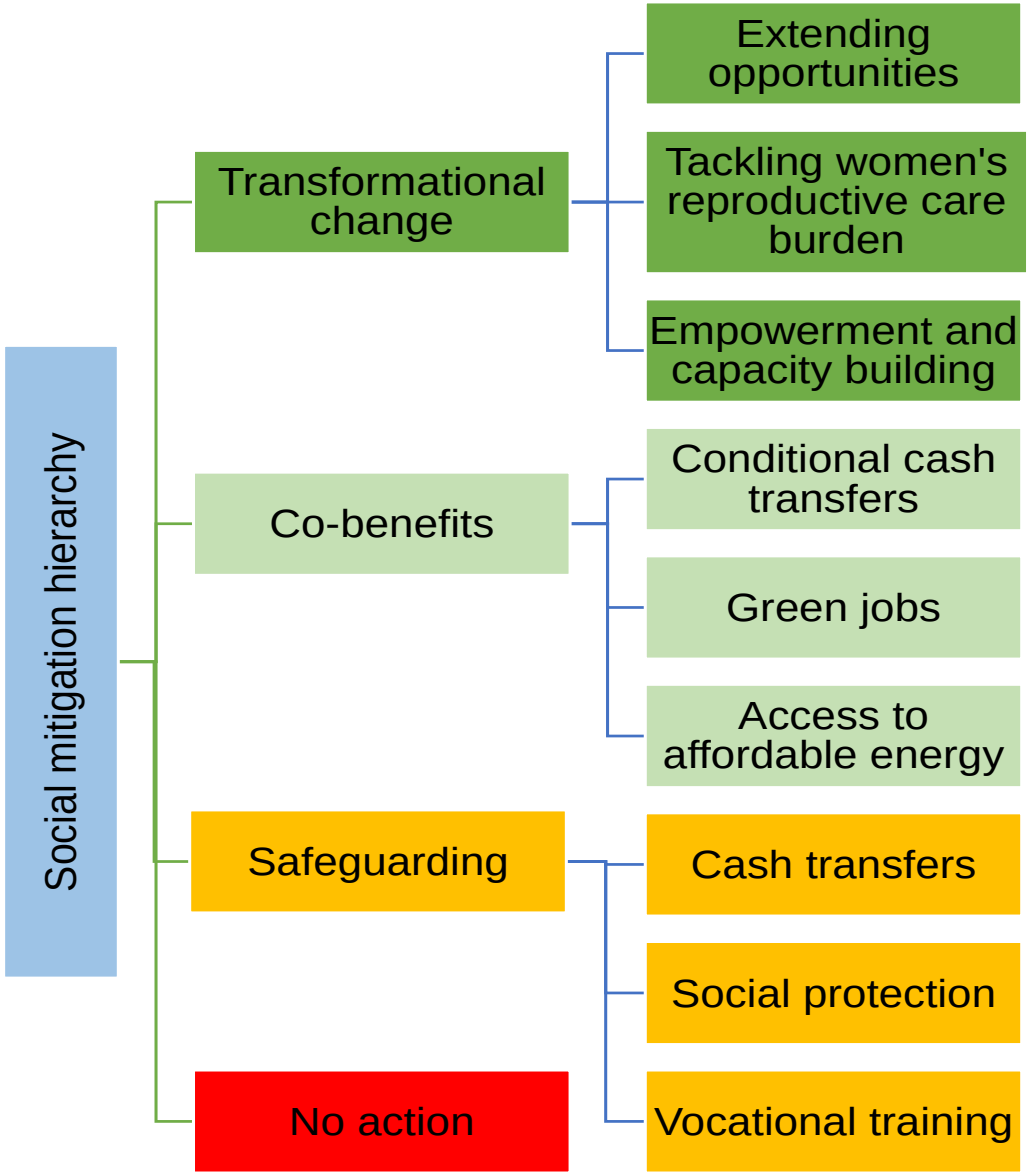
Integrated approaches can embed environmental taxation within an eco-social welfare state

"A political and economic system in which the government simultaneously prioritises environmental protection and citizen well-being [and] emphasises harmonised policies and programmes that promote environmental sustainability and social well-being"



https://www.vidc.org/fileadmin/martina/studien/climate-equality-study_web.pdf

A hierarchy of social welfare measures to address negative impacts of green economy transition



https://www.adb.org/publications/carbon-pricing-fossil-fuel-subsidy-tool-kit

PROSOL Tunisia
Subsidies for SWH funded in part by ETs

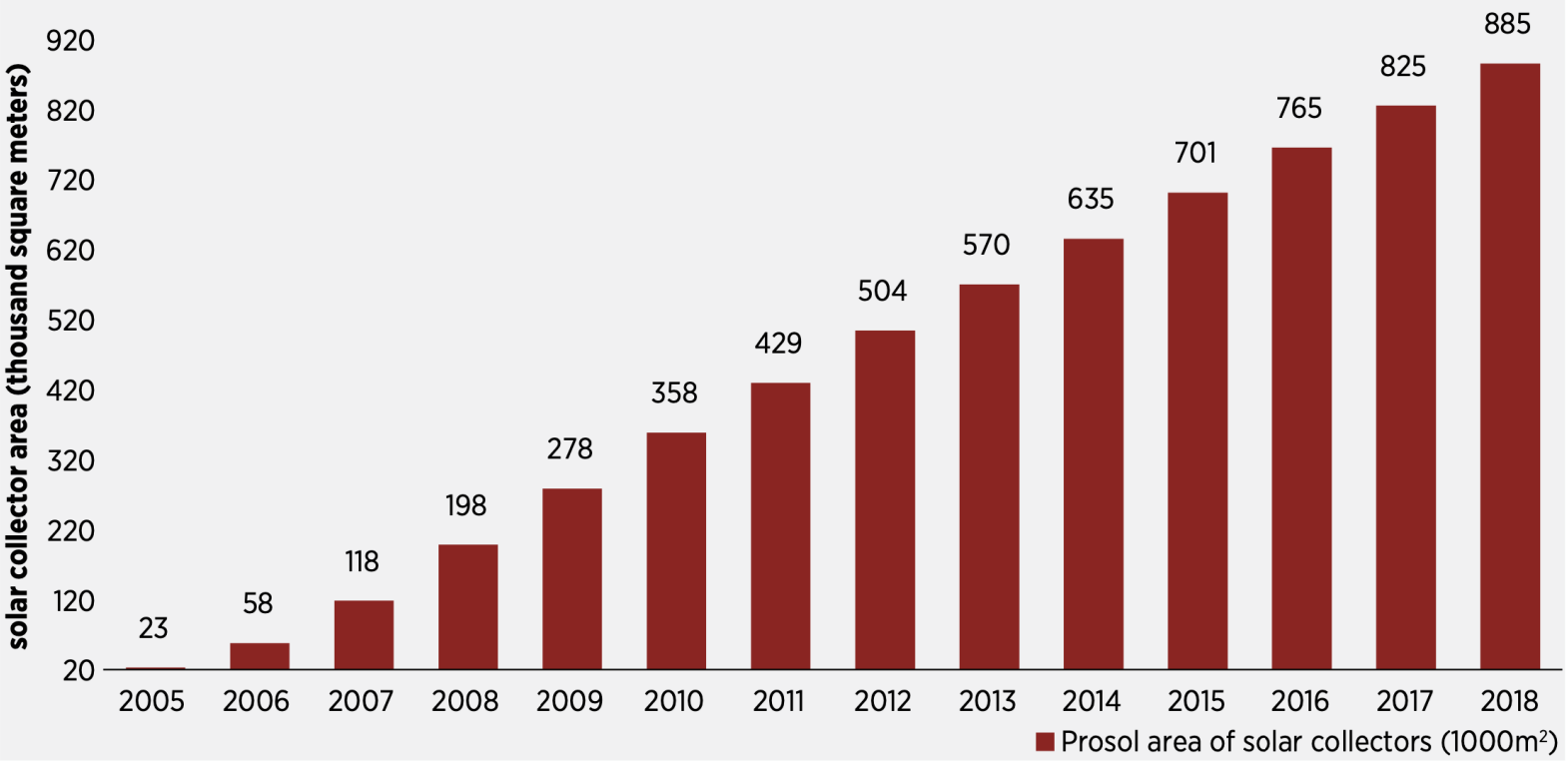
- Package of measures to increase access to renewable energy through low-cost loans, repaid over 5 years in electricity bill
- FTE fund (the Energy Transition Fund) provides the subsidy
- FTE is funded by i.a. several environmental taxes on vehicle registrations, air conditioning appliances, used engine and spare part imports
- Law establishing the FTE also envisaged taxes on consumed energy products contributing to the fund, but this has not happened yet
- Subsidy does not come at an additional cost to the state, as PROSOL has enabled reduction of LPG subsidies

PROSOL Tunisia
Results and benefits of the scheme

- SWH installed increased by >330% in the first 5 years of the scheme -
- Total area of SWH by increased by 264%
- Health and climate benefits – reduction of GHG and pollution emissions through use of solar energy to heat water
- An estimated 80,000 households have benefitted from SWH installation
- At least 20% the cost of SWH per household is subsidised, due to gradual repayments
- Low cost of SWH means that poor households can also access the scheme
- Boost for local industry domestically – 95% of SWH are manufactured in Tunisia
- Boost in exports to neighbouring countries
- Estimated 3,000-5,000 jobs created

- https://www.climatepolicyinitiative.org/wp-content/uploads/2012/06/Prosol-Tunisia-SGG-Case-Study.pdf
- https://www.anme.tn/en/projets/residential-solar-energy/residential-solar-energy

Cumulative area of SWH panels installed in Tunisia 2004-2018



Sources: ANME (2019).

https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2021/Jun/IRENA_RRA_Tunisia-2021.pdf

Digitised social welfare to protect the vulnerable from rising energy prices in Indonesia

- Fossil fuel subsidies (FFS) were used as a form of social welfare prior to reform in 2015
- These are poorly targeted: in 2012, 40% went to richest 10% of households, 1% to the poorest 10%
- In 2015, subsidies were reformed, saving >10% of planned expenditure which was reallocated to major social and economic programmes, e.g. village fund, social security, agriculture
- 12% of these savings were allocated to social security
- Amongst other things, social security in Indonesia is linked to a smart card system, with various cards covering financial assistance, education and healthcare
- Digitalisation enables switch from cash transfers to bank payments, in-kind food assistance to e-vouchers
- Social assistance is aimed at the poorest 40% of the population

- https://www.iisd.org/sites/default/files/publications/financing-development-with-fossil-fuel-subsidies-indonesia.pdf
- https://www.cbd.int/doc/case-studies/inc/cs-inc-indonesia-fuel.pdf

Indonesia's social welfare programmes

Program	2022 Budget (US$ million)	Beneficiaries	Notes
National Health Insurance	3098	96.7 million inidividuals	Insurance premium assistance
Groceries Card	3008	18.7 million families	Food assistance; electronic vouchers
Family Hope Program (PKH)	1914	9.8 million families	Conditional cash transfer; savings account
Smart Indonesia Program (PIP)	741	10.9 million school students	Education fund; savings account
Pre-Employment Card	733	16.4 million individuals (2020-2022)	Training and incentive funds
Bidikmisi (university)	646	710,700 university students	Education fund; savings account
Energy subsidies	8933	Goods subsidies	Price reduction: Electricity for 39.2 million customers; 3kg cooking gas (LPG) for 3.3 million people; fuel subsidy
Non-energy subsidies	4020	Goods subsidies	Fertiliser, credit programs, public service obligation
Village Direct Cash Assistance	1920	8 million families	Cash transfer
Total	**25,013**		Digitised / Not yet digitised

https://www.lowyinstitute.org/publications/digitising-social-safety-net-lessons-indonesia

Key lessons from Indonesia

- Digitisation of social safety nets can drive inclusion and reduce poverty while fostering resilient social and economic development
- Digitisation can combat inefficiency, fraud and corruption
- Targeting of poor households / individuals can be improved using digitised systems
- Digitisation can significantly reduce administration and distribution costs
- Smart cards and similar approaches can also be used as a channel to distribute emergency funds, e.g. Covid pandemic
- State-owned banks or post offices can be drawn on to facilitate development of digital schemes by creating accounts for beneficiaries
- A national ID database and a social registry is required to store socio-economic information for households and individuals and enables targeting of welfare
- Mobile money is less suitable for targeting marginalised groups, e.g. there is a digital gender gap in Indonesia, with women and girls in rural areas accessing the internet far less than male counterparts. Individuals with a disability and the elderly struggle to use mobile money

https://www.lowyinstitute.org/publications/digitising-social-safety-net-lessons-indonesia

Lifeline tariffs for water supply and sanitation, and waste collection, in Cape Town

- Poor households – indigent properties, backyard users, units identified in credit control and debt collection policy – receive a 100% subsidy for up to 15,000 litres of drinking water per property per month and may discharge 10,500 litres of wastewater
- Household income of <USD410/month
- Free allocations for accommodation for vulnerable groups (homeless, children's homes, elderly, etc.) – 750 litres of drinking water and 525 litres of wastewater per person/month
- Vulnerable high water consuming groups, e.g. subsistence farmers, receive 10,000 litres of water per month
- Social housing units receive 6,000 litres per residential unit/month
- Solid waste collection is charged on a sliding scale, with homeless shelters excluded
- Excessive water users may have their consumption capped at the discretion of the city
- Covers around 40% of households
- Effectiveness may nevertheless be hindered by low registration rates – and requirement to re-apply annually
- If in debt to the city, poor households cannot receive the benefit

https://resource.capetown.gov.za/documentcentre/Documents/Bylaws%20and%20policies/Tariff%20Policies.pdf

Key lessons on design of social assistance and ETs

- Managing distributional outcomes is a key factor for the political acceptance of environmental taxes, fees and charges
- ET on products, goods and services primarily consumed by wealthier income groups, e.g. private vehicles, luxury goods, will have a progressive distributional effect
- Social welfare and equity concerns should be an integral part of ET design
- It is important that policymakers understand viability of social protection schemes, as it may be difficult to reach the most vulnerable in the context of informality, lack of social registries, etc.
- Targeted cash transfers are strongly preferable to untargeted subsidies - but if there are gaps, always better to implement broad-brush approaches and risk over-compensating
- Ideal solutions are adaptive and transformational – generate win-win outcomes for green economy transition

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Placeholder for Kiarestel Lleno, Senior Tax Specialist, National Tax Research Center, Philippines

The 2017 tax reform for acceleration and inclusion in the Philippines

Commentary from ATI countries

Poll: Which social assistance measures do you think are most feasible to implement to mitigate negative distributional impacts of ET in your country?

1. Subsidies for key products, e.g. energy, foodstuffs
2. Cash transfers
3. Packages of ET and social measures
4. Digitised social assistance
5. Something else – please specify in the chat

Looking forward to Session 5 – open questions and knowledge gaps

1. Is there anything you would like to learn more about in the last workshop session?
2. Are there any open questions you would like us to answer?

Please type your answers in the chat.

Timeline for workshop series

Workshop 1
Design of effective environmental tax instruments

30 Oct 2024

Workshop 2
Data considerations and needs

21 Nov 2024

Workshop 3
Social impacts I: Social Impact Assessment

20 Feb 2025

Workshop 4
Social impacts II: Mitigation measures

20 March 2025

Workshop 5
DRM and Policy coherence, wrap-up

10 April 2025

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Thank you for your attention!
Merci pour votre attention !

See you on 10. April 2025!

Facilitated by

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Co-funded by the European Union