MUNICIPAL FINANCE INNOVATIONS

Session 4: Environmental Externality Financing
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Aarsi Sagar, Green Cities Analyst, Global Green Growth Institute
GGGI’s Mission

“To help developing country governments transition towards a model of economic growth that is environmentally sustainable and socially inclusive.”
GGGI at a Glance

Headquartered in Seoul, Republic of Korea, GGGI has 30 members with operations in 30 countries.

Member Countries
Australia, Burkina Faso, Cambodia, Costa Rica, Denmark, Ethiopia, Fiji, Guyana, Hungary, Indonesia, Jordan, Kiribati, Republic of Korea, Lao PDR, Mexico, Mongolia, Norway, Papua New Guinea, Paraguay, Peru, Philippines, Qatar, Rwanda, Senegal, Thailand, Tonga, United Arab Emirates, United Kingdom, Vanuatu, Viet Nam

Operations
Burkina Faso, Cambodia, China, Colombia, Costa Rica, Ethiopia, Fiji, Guyana, Hungary, India, Indonesia, Jordan, Kiribati, Lao PDR, Mexico, Mongolia, Morocco, Mozambique, Myanmar, Nepal, Papua New Guinea, Peru, Philippines, Rwanda, Senegal, Thailand, Uganda, United Arab Emirates, Vanuatu, Viet Nam
Application of environmental taxes that can facilitate urban development

AND

Contribute to local tax revenues

If so, how?
Environmental Externalities

• Externalities = behavioral change?
  • Degraded air quality = health impacts = Monetary Value
  • Degraded water quality = health impacts & damaged ecosystems = Monetary value
  • Health impacts = Loss in productivity/ quality of life

• At macro level: loss in productivity/ loss in GDP & loss of ecosystems
• At micro level: human health & ecosystems
Designing Green Cities: Key Transformations

The way we plan

To achieve smart, green & sustainable cities

The way buildings are designed & operated

For a resource efficient & low carbon built environment

The energy produced & consumed

Access to renewable energy & efficiency

Waste to resources

Improve the waste/ resource loop

Water resource management

Access to clean water and sanitation

The way people move and connect

Connected & walkable/ non motorized cities

Balancing expansion & inclusive growth

Pro-poor and inclusive cities

The way cities manage and account their assets

Create ‘bankable’ cities to attract green finance
<table>
<thead>
<tr>
<th>Number</th>
<th>Service Provider</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Licensed Hotels</td>
<td>Accommodation, refreshments and any other services</td>
</tr>
<tr>
<td>2.</td>
<td>Tourist Vessels Operating Within Fiji Waters</td>
<td>Accommodation, refreshments and any other services provided on board</td>
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<tr>
<td>3.</td>
<td>Licensed Bars</td>
<td>Meals, beverages and any other services provided in a licensed bar, including private clubs</td>
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<tr>
<td>4.</td>
<td>Licensed Nightclub</td>
<td>E.g. Music dancing or other entertainment services</td>
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<td>5.</td>
<td>Inbound Tour Operators</td>
<td>Travel tour and sight seeing services</td>
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<td>6.</td>
<td>Entertainment Programs/Product Exhibitions Organizers</td>
<td>Entry fees to the events venue</td>
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<tr>
<td>7.</td>
<td>Recreational Activity Operators</td>
<td>Recreational activities provided by such operators</td>
</tr>
<tr>
<td>8.</td>
<td>Cinema Operators</td>
<td>Entry fees &amp; all services provided within the premises</td>
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<tr>
<td>9.</td>
<td>Licensed Rental/Hire Car Operators</td>
<td>Hiring rental cars</td>
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<tr>
<td>10.</td>
<td>Bistros and Coffee Shops</td>
<td>Meals &amp; beverages</td>
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<tr>
<td>11.</td>
<td>Licensed Restaurants</td>
<td>Meals &amp; beverages</td>
</tr>
<tr>
<td>12.</td>
<td>Aircraft Operators</td>
<td>Limited charter flight services</td>
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<tr>
<td>13.</td>
<td>Water Sports Operators</td>
<td>All water sports</td>
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<tr>
<td>14.</td>
<td>Home Stay Operators</td>
<td>All services provided to paying guests</td>
</tr>
<tr>
<td>15.</td>
<td>Unlicensed Service Operators</td>
<td>Unlicensed registered service provider</td>
</tr>
</tbody>
</table>

Challenges/ Potential risks of externality financing
Challenges/ Risks

- Collection rates are low
- How to value an externality?
- Devolution of power – allow municipalities authority to tax
- Raise awareness on externalities
- Proper regulatory mechanisms needed
- How would secondary cities cope? Should be limited to larger cities?
- How to efficiently use the revenues?
- Are some externalities easier to value than others?
Thank You

Aarsi Sagar
Green Cities Analyst
Email: aarsi.sagar@gggi.org