



GIZ Support to Environmental Tax and Fiscal Reform

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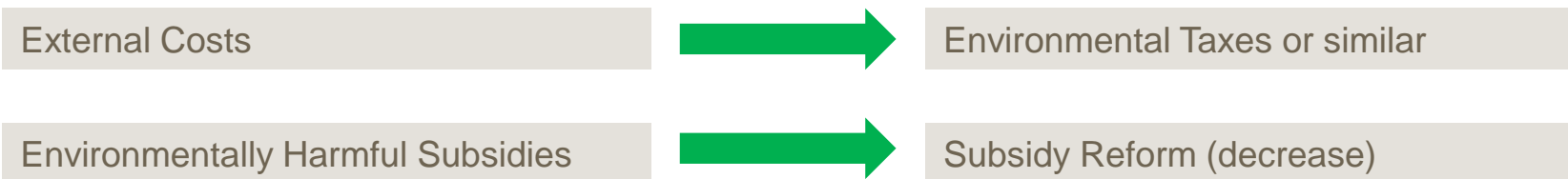
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General Approach on Environmental Fiscal Reform (EFR)

Allocation efficiency in the economy

- EFR involves the correction of market failures and the environmental costs from production (“address negative externalities”)
- Governments often promote resource overuse and pollution even further with harmful subsidies



A source for government revenue

- Government revenue can be raised through many different approaches.
- **Tax on natural resource use:** Can avoid resource over-exploitation as well as decrease in employment → Sustainable growth: **Tax resource use instead of labor or capital!**



GIZ's Approach on Environmental Fiscal Reform

- GIZ currently supports around 30 programmes in Africa, Asia and Latin America: **\$40 million Euros** in area of **Good Financial Governance**
- GIZ participates in relevant international initiatives on green fiscal reform:
 - Green Fiscal Policy Network (GFPN)
 - Carbon Pricing Leadership Coalition
 - Poverty Environment Partnership (PEP)

Example 1 : INDONESIA - Reducing energy subsidy

- In 2014, energy subsidies amounted to about **20%** of state budget;
- On behalf of the German and Indonesian Governments GIZ supported the Ministry of Finance in the process of reducing energy subsidies;
- Through a phase-out of fuel and electricity subsidies, energy subsidies reduced **to 7%** of the budget;
- GIZ supports impact assessments to balance environmental, economic and social effects.



GIZ's Approach on Environmental Fiscal Reform

Example 2 : VIETNAM - Ecological fiscal reform in Vietnam

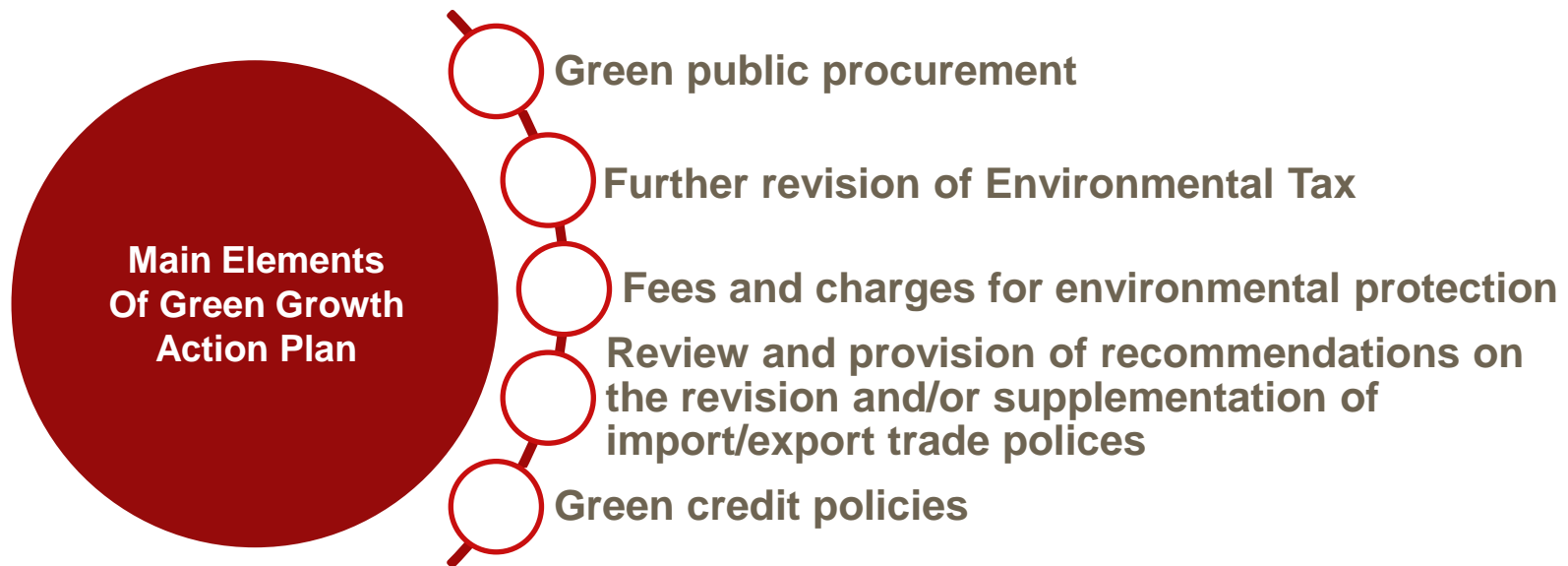
- **Objective:** decrease negative environmental externalities through price increase
- **Approach:** GIZ supported impact assessment of possible Ecotax through simulations via regression and Computable General Equilibrium (CGE) and accompanied the policy design process
- **2012:** Ecotax came into force
- **2014/15:** GIZ supported impact evaluation of Ecotax
- **2015:** Increase in tax rate - Income from Ecotax: 2.61% of total tax revenue
- **2016/17:** Ongoing second impact evaluation



GIZ's Approach on Environmental Fiscal Reform

Example 2 : VIETNAM - Comprehensive ecological fiscal reform

- GIZ supported Ministry of Finance in an overall concept for comprehensive ecological fiscal reform
- Ministry of Finance approved “Green Growth Action Plan for the Financial Sector”





THANK YOU FOR YOUR ATTENTION!