

Environmental Taxation in sub-Saharan Africa: Barriers and Policy Options

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Outline of presentation

1. Why might countries in sub-Saharan Africa want to consider environmental taxation?
2. What are the barriers to environmental taxation implementation in countries in Sub-Saharan Africa?
3. Policy framework blueprint – assessment methodology for implementation of environmental taxation
4. Conclusions

Why might countries in sub-Saharan Africa want to consider environmental taxation?

- Heavy impact of effects of climate change and pollution
- Low public revenues
- High inequality and environmental degradation further affects most vulnerable segments of population

... can environmental taxation solve these issues?

Barriers to environmental taxation implementation in sub-Saharan Africa

- Lack of fiscal infrastructure and administrative capacity
- Weak institutions
- Public perception hinders political feasibility
- Regressivity concerns amidst high inequality
- Economic growth/ investment concerns
- Tension between environmental protection and economic development

Assessment methodology to guide policymakers in deciding on the introduction of environmental taxes

Overarching considerations:

- Which entities to involve
- Low administrative capacity and limited resources

**Assessment methodology
to guide policymakers in deciding
on the introduction of environmental taxes**

I. Assessing the broader fiscal framework

1. What are the domestic taxes already in place?
2. How do these taxes contribute to economic and social policy priorities?

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II. Assessing the environmental protection framework

3. What are the existing environmental standards and regulations?
4. How effective are they? Why do they work or not work? What would be the effects of repealing them?
5. What fiscal instruments (both from the taxation and the expenditure sides) are already in place that have some environmental impact?

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III. Assessing environmental issues and solutions

6. The environmental issue: what are top-priority environmental problems affecting the country? How are they being addressed?
7. How effective are current policies at tackling the top environmental issues identified? How could they be changed to increase effectiveness?
8. What are considered the most effective solutions to the identified environmental problems? How expensive are they? How expensive would remediation be?

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IV. Environmental fiscal policy formulation

9. How effective would a market-based instrument (specifically, a tax) be in correcting the behaviour?
10. Who bears the cost of the tax?
11. What would be the effect on revenues? Is it acceptable from a social justice point of view to raise these revenues?
12. Would it be possible to shift the burden to “external agents”?

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V. How to employ revenues from environmental taxes?

13. Can the revenue be used to further tackle the issue, strengthen the policy or increase the environmental benefit?
14. Is the tax regressive? Can the revenues be used to correct the negative impact on the welfare of vulnerable citizens?

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VI. Communication with the public

- 15. How to manage communication with the public?
- 16. Who are the stakeholders?

VII. From policy formulation to administration and evaluation

- 17. What is the administrative framework needed to implement an environmental tax?
- 18. How can the effect be evaluated ex-post? What would be the criteria (and concrete indicators) to understand impact?

Conclusions

Overarching considerations:

- Selecting the right entities to involve in each phase of the assessment is vital
- To cope with low administrative capacity and limited resources, privilege simplicity and transparency
- Careful consideration of motivations for introducing the tax (not a primary revenue-raising instrument)
- Start small, then scale up

Thank you

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