



Forum European Union – Latin America and the Caribbean

Fiscal policy and an environmentally sustainable economy in the context of climate change


10 and 11 November 2010, Berlin

Venue: Federal Ministry for Economic Cooperation and Development and InWEnt
Europahaus, Marie Schlei Hall, 11th floor, Stresemannstr. 94, 10963 Berlin

Programme

as of 11 November 2010

Convened by	Federal Ministry for Economic Cooperation and Development (BMZ), Germany The United Nations Economic Commission for Latin America and the Caribbean (ECLAC/CEPAL), Santiago de Chile Ministry of Foreign Affairs, Chile
In cooperation with	European Commission, Brussels Forum Ökologisch-Soziale Marktwirtschaft (FOES)/ Green Budget Europe, Germany
With the support of	Federal Foreign Office, Germany Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), Germany InWEnt - Capacity Building International, Germany
Organized by	Development Policy Forum, InWEnt - Capacity Building International, Germany



In the wake of the global financial and economic crisis of 2008/9, the countries of the European Union (EU) and Latin America and the Caribbean (LAC) are facing particular economic and fiscal policy challenges. In the EU, government revenue shortfalls, bailouts and economic stimulus packages have resulted in high budget deficits and a sharp rise in public debt. Meanwhile, the available data point to the fact that, on the whole, public finances in Latin America are suffering from a chronic weakness that finds expression in low tax revenue (in conjunction with high levels of tax avoidance and evasion), with significant biases and inefficiencies, excessive dependence for tax revenue on specific resources (e.g. copper, oil or agricultural exports) and with demands for resources that result in a constant tug of war between different areas of public spending. Furthermore, it is clear that over the course of the next few years, the state of Latin American countries' public finances will be heavily determined by two factors: the influence of the global economy which will, for example, result in a gradual homogenisation of tax rates throughout the world and the development and increasing use of 'green taxes'.

In this context, it is important to emphasise the growing importance of climate change and the associated economic and social costs. The sheer magnitude of the estimated economic costs of adapting to and mitigating climate change over the course of this century make it likely that it will act as an additional constraint on economic development and will place unavoidable restrictions on the public finances. Consequently, it is necessary to consider which of the available fiscal options will enable an efficient global climate agreement to be reached with differentiated but shared historic responsibilities. In parallel to these international efforts, it is also important to deploy fiscal instruments nationally both with a view to tackling climate change and in order to generate the financial resources that will be needed to adapt to its consequences.

Consequently, in order to achieve consolidation of Latin America's public finances it will be necessary to consider implementing fiscal reforms including environmentally-oriented taxes and the removal of economic incentives that harm the environment. Among other things, this could help to broaden the tax base, raise additional revenue for the public coffers and at the same time provide incentives for efficient green technologies and environmentally-friendly production methods and consumption patterns. Furthermore, strengthening the public finances through a strategy that pays more attention to environmental issues, especially the factors that effect greenhouse gas emissions, would send out an economic message consistent with sustainable economic development and help to shape linkages between environmental, social welfare and economic development goals. In other words, the aim is to identify the fiscal requirements for supporting a social and economic development network through environmental tax revenue.

In this context, it is fundamentally important to design a fiscal strategy compatible with combating climate change. A sustainable, climate-friendly economic model requires a transition to a low-carbon economy, which will in turn generate a variety of opportunities and initiatives to promote technological and organisational innovations, the establishment of new industries and the modernisation of production methods and technologies that are harmful to the environment. Furthermore, in the medium term, increasing the tax revenue from green taxes will enable the tax burden on the working population to be reduced and allow income tax and national insurance contributions to be lowered. A progressive shift away from income tax and towards taxes on the consumption of resources has the potential to benefit the environment while at the same time stimulating employment, with all the positive social consequences that this entails. In addition to stemming climate change, green taxes can also help to tackle other environmental problems such as deforestation, biodiversity loss and overexploitation of water resources.

Moreover, if the priorities of economic, social and fiscal policy are appropriately linked to environmentally-oriented fiscal policy instruments, it may be possible to achieve greater legitimacy for both the fiscal policy measures and the environmental and climate targets. In Latin America and the Caribbean, the expectation is that additional revenue would be used to

expand social welfare provision and achieve a broader-based and more sustainable financing of government interventions. In Europe, on the other hand, a tax reform based on green fiscal instruments is principally associated with budget consolidation, consolidating competitiveness, securing the energy supply and progress towards low-carbon economies. In both regions, an environmentally-oriented fiscal policy could potentially be one of the keys to achieving sustainable economies in a socially coherent manner.

By organising this international policy dialogue, the United Nations Economic Commission for Latin America and the Caribbean (ECLAC/CEPAL), the German Federal Ministry for Economic Cooperation and Development (BMZ), and Chile's Ministry of Foreign Affairs would like to take the initiative in driving forward the dialogue on cooperation between the two regions in the field of environmentally-friendly fiscal policy with particular emphasis on climate change. The Berlin EU-LAC Forum on "Fiscal policy and an environmentally sustainable economy in the context of climate change" will build on the existing strategic partnership between the European Union and Latin America and the Caribbean and will continue the process of mutual exchanges in the field of fiscal policy that began in Berlin in March 2008 and continued in Montevideo in May 2009.

The forum is intended as an opportunity to exchange ideas regarding fiscal policy goals, approaches and instruments and how these can be linked to meeting the challenges of climate change and achieving a climate-friendly and environmentally sustainable economy.

The principal goal of the Forum is to generate technical and political momentum in the debate on fiscal matters and with regard to the quality of the work carried out on environmentally-oriented fiscal measures. Consequently, the aim is to attract participants from the following groups: a) fundamental policy thought leaders (policy shapers), b) policy makers who are responsible or accountable for the political significance and implementation of the relevant initiatives and c) representatives of business associations, lobbies and academia who influence the debate through their public awareness work or in their capacity as advisors and consultants.

The Forum will provide between 100 and 120 delegates with the opportunity to have a lively informal exchange of opinions and experiences. Using a blend of plenary panel debates and interactive formats such as the World Café or breakout sessions, we shall be endeavouring to:

- gain an overview of what governments in the EU and LAC are currently doing to strengthen fiscal policy interventions geared towards promoting an environmentally sustainable economy,
- identify the priority problems associated with climate change and discuss appropriate fiscal policy responses,
- analyse and assess the interrelationships between the goals and effects of fiscal policy instruments designed to protect the environment and tackle climate change and the key challenges currently facing economic, social and fiscal policy,
- identify best practices and appropriate potential solutions that can be disseminated and, where necessary, developed further in the course of ongoing cooperation between the two regions.

The key outcomes arising from the presentations and discussions will be summarised in a final report which will be particularly aimed at providing policy shapers and decision makers with practical guidance. The list of recommendations will be compiled on the basis of their environmental effectiveness, economic efficiency, fiscal impact and political viability.

Last but not least, the EU-LAC Forum will also provide an opportunity to establish new contacts and maintain old ones, as well as to learn about institutions and examples from the host and partner countries.

Tuesday 9 November 2010

7.00 pm Dinner
For early arrivals from the European Union (EU) and Latin America and the Caribbean (LAC)

Venue: Palais am Festungsgraben (Address: Am Festungsgraben 1, 10117 Berlin)

Wednesday 10 November 2010

9.00 am Registration

10.00 am Opening

Dorothee Fiedler, Deputy Director, Latin America; Policy Issues and Organisation of Bilateral Development Cooperation, Federal Ministry for Economic Cooperation and Development (BMZ), Germany

H.E. Jorge O’Ryan Schütz, Ambassador of the Republic of Chile to Germany, Chile

Alicia Bárcena, Executive Secretary, UN Economic Commission for Latin America and the Caribbean (CEPAL/ECLAC), Santiago de Chile

**10.45 -
11.00 am Coffee break**

Wednesday 10 November 2010

11.00 am **Introduction**

Moderators **Eckart D. Stratenschulte**, Director, European Academy Berlin, Germany

Joseluis Samaniego, Director, Division Sustainable Development and Human Settlements, UN Economic Commission for Latin America and the Caribbean (CEPAL/ECLAC), Santiago de Chile

Public finances and the environment: the current role of the state: fiscal policy interventions in the EU and LAC geared towards promoting an environmentally sustainable economy

- In what ways do EU member states and states of Latin America and the Caribbean contribute to climate change?
- What is the impact of climate change within the different regions of the EU and in states of Latin America and the Caribbean and what potential impacts should we be concerned about?
- What (concerted) action has been taken to counteract these impacts?
- What environmental and climate policy goals are currently being pursued?
- What fiscal policy tools are already being employed?
- What are the most important challenges?

European Union: fiscal policy and an environmentally sustainable economy in the context of climate change:

H.E. Matthias Petschke, Head, Berlin Representation, European Commission, Berlin

Latin America and the Caribbean: fiscal policy and an environmentally sustainable economy in the context of climate change:

Oswaldo Kacef, Director, Division Economic Development, UN Economic Commission for Latin America and the Caribbean (CEPAL/ECLAC), Santiago de Chile

11.30 am **Keynote:**

H.E. Dirk Niebel, Minister for Economic Cooperation and Development (BMZ), Germany

11.45 pm **Discussion**

Where do the key differences between the LAC and EU lie? And in which areas can commonalities be identified or created?

12.45 –
2.15 pm **Buffet lunch**

Wednesday 10 November 2010

2.15 – Panel
3.00 pm

Moderators **Eckart D. Stratenschulte**, Director, European Academy Berlin, Germany

Joseluis Samaniego, Director, Division Sustainable Development and Human Settlements, UN Economic Commission for Latin America and the Caribbean (CEPAL/ECLAC), Santiago de Chile

Priority sectors and issues relevant to the environment in the context of climate change and reasons for their importance in the European Union and Latin America and the Caribbean.

Which fiscal-policy instruments for an improved environmental and climate balance are already in use? How suitable are they in relation to the following decisional factors:

1. Environmental effectiveness / effect on climate protection
 2. Economic efficiency
 3. Effect on the revenue situation of the state
 4. Political and social viability
 5. Other positive externalities
-

Sectors:

1. Energy / Energy efficiency

Anselm Görres, President of the Executive Board, Green Budget Europe (FÖS/GBE), Germany

2. Agriculture / Forestry / Water

Ricardo Barrientos, Former Vice-Minister of Finance, Guatemala

3. Industry / Tourism / Construction

Ronaldo Seroa da Motta, Co-ordinator, Environmental Studies, Institute of Applied Economic Research (IPEA), Brazil

4. The subnational urban dimension: transport, infrastructure and megacities

Alberto Majocchi, Profesor, European School for Advanced Studies in Integrated Environmental Management, Italia

Wednesday 10 November 2010

3.00 pm **Coffee break and room change**

3.30 pm **Introduction to World Café**

3.45 – **Instruments of ecological fiscal policies in selected sectors**
5.15 pm

Which fiscal policy instruments are already being used in your country to achieve a positive impact with regard to the environment and climate change? How appropriate are they in terms of evaluation criteria such as:

1. Environmental effectiveness / effect on climate protection
 2. Environmental efficiency
 3. Effect on the revenue situation of the state
 4. Political and social viability
 5. Other positive externalities
-

1. Energy/Energy efficiency

Moderator: Michael Roesch (GTZ)

Expert input:

Hugo Altomonte, Director, División de Recursos Naturales e Infraestructura, CEPAL, Santiago de Chile

Damian Ludewig, Managing Director, Green Budget Europe (FÖS/GBE), Germany

Interactive discussion with all participants: World Café

How are taxes, subsidies and public spending currently implemented with regard to infrastructure and energy production?

Which effects are being achieved?

What fiscal instruments (climate taxes, emissions trading, subsidising renewables, ending favourable tax treatment for fossil fuels use, etc) can be used to promote a shift towards fuels with lower or no emissions of greenhouse gases in the field of energy production?

Which fiscal instruments can be used to promote greater use of renewables, and in which applications?

Wednesday 10 November 2010

3.45 –
5.15 pm

2. Agriculture / Forestry / Water

Moderator: Gesa Grundmann, Centre for Advanced Training in Rural Development (SLE)

Expert input:

Stefan Agne, Team Leader, Unit A2 – Climate Finance and Deforestation, DG Climate Action, European Commission, Brussels

Elias Freig Delgado, Coordinator, Special Task Force CO₂, Secretaria de Hacienda y Crédito Público, Mexico

Interactive discussion with all participants: World Café

To what extent is it possible to use fiscal instruments such as import tariffs on agricultural produce, pollution certificates, subsidies and forest taxation to tackle the CO₂ emissions resulting from forestry activities and changes in land use (deforestation causing a loss of carbon sinks and biodiversity, methane resulting from large-scale livestock farming, etc)?

How can fiscal instruments (e.g. water consumption taxes, subsidies for reservoirs) be used to strike an efficient balance between the competing requirements of maintaining an adequate drinking water supply and water use for power generation?

3.45 –
5.15 pm

3. Industry / Construction / Tourism

Moderator: Doris Thureau, SEQUA

Expert input:

Detlef Schreiber, Head of Section, Environment and Climate Change, GTZ, Germany

Stefan Krauter, Director, Photovoltaic Energy Supply Systems, Riosolar Ltd., Brazil

Interactive discussion with all participants: World Café

How are taxes, subsidies and public spending currently implemented with regard to government policy for the promotion of industry? Which effects are being achieved?

Which fiscal instruments (certificate trading, eco-taxes/eco-tariffs, FTI grants for energy-efficient technologies, etc) have proven to be particularly effective at helping to increase energy efficiency on both the supply and demand sides in the industrial and construction sectors?

How can the negative externalities caused by tourism be internalised?

Wednesday 10 November 2010

3.45 pm 4. The subnational urban dimension: transport, infrastructure and megacities

Moderator: Christian von Haldenwang, German Development Institute (GDI)

Expert input:

Martin Ruhé, Transportation Studies, Deutsches Zentrum für Luft- und Raumfahrt, Helmholtz Society, Germany

Arturo Herrera, Ex-Secretario de Finanzas, Gobierno del Distrito Federal, México; Especialista, Public Sector Management, World Bank, Washington D.C.

Interactive discussion with all participants: World Café

How are taxes, subsidies and public spending currently implemented with regard to urban transport, construction and urban land use?

Which effects are being achieved?

Which fiscal policy instruments (road use charges, road use permits, road tax, fuel taxes, government subsidies/investment, etc) can be employed to achieve an effective and efficient reduction in transport-related greenhouse gas emissions and congestion?

Which incentives could be used to reduce the emission of greenhouse gases and the consumption of high-emission raw materials in cities?

5.15 pm Coffee break and room change

5.45 – 6.30 pm Presentation of breakout findings
Breakout group rapporteurs to report to plenary

7.00 pm Guided city tour by bus
Departure from the venue: Entrance Europahaus, BMZ,
Final stop of the city tour: Meistersaal (Dinner venue)

7.30 pm Dinner
Venue: Meistersaal (Address: Köthener Straße 38, 10963 Berlin)

Thursday 11 November 2010

10.00 am Moderators' summary of Day 1 outcomes

Eckart D. Stratenschulte, Director, European Academy Berlin, Germany

Joseluis Samaniego, Director, Division Sustainable Development and Human Settlements, UN Economic Commission for Latin America and the Caribbean (CEPAL/ECLAC), Santiago de Chile

10.15 am High-Level Panel

Opportunities and risks for government, the economy and society of a fiscal policy aimed at protecting the environment and tackling the challenge of climate change

Interview with:

H.E. Herman Rosa Chávez, Minister of the Environment and Natural Resources, El Salvador

José María Labeaga Azcona, Director General, Instituto de Estudios Fiscales, Programa EUROsociAL Comisión Europea, Spain

Melida Chew, Viceminister, Ministry of Public Finances, Guatemala

Richard Lavergne, Counsellor to the Director General, Energy and Climate, Ministry for Ecology, Energy, Sustainable Development and the Sea, France

María Dolores Almeida Sánchez, Vice-Minister of Finance, Ecuador

Pedro Buonomo, State Secretary, Ministry of Economy and Finance, Uruguay

11.15 – 11:45 am Coffee break and room change

Thursday 11 November 2010

11.45 am Parallel Working Groups: identified instruments of ecological fiscal policies in selected sections

1. Energy / energy efficiency

Moderator: Michael Rösch, GTZ

2. Agriculture, forestry and water resources management

Moderator: Gesa Grundmann, SLE

3. Industry / construction industry / tourism

Moderator: Doris Thureau, SEQUA

4. The subnational urban dimension: transport, infrastructure and megacities

Moderator: Christian von Haldenwang, DIE/GDI

Their compatibility with and effect on other important goals and requirements of sustainable economic, social and fiscal policies

(Goals: 1. Consolidated and sustainably financed public households / revenue acquisition and usage, 2. Competitive capacity safe for the future, net product and engagement in the economy, 3. Distributive justice and social cohesion, 4. security of supply, 5. Compatibility with the demands of the foreign trade and the international environmental and climate protection, 6. Viability and feasibility in the state structure)

Analysis and assessment of fiscal solutions targeting priority environmental and climate-related tasks, focusing on their compatibility with and effect upon the relevant goals and requirements of economic, social and fiscal policy in practice in the EU and LAC.

1.15 – Lunch
2.30 pm

Thursday 11 November 2010

2.30 pm Presentation of findings by moderators of the parallel panels
Brief presentation of the findings of the earlier sessions

3.00 pm Summary and outlook (major findings, conclusions & recommendations)

Alicia Bárcena, Executive Secretary, UN Economic Commission for Latin America and the Caribbean (CEPAL/ECLAC), Santiago de Chile

Harald Klein, Director General, Asia and Latin America; Policy Issues and organisation of Bilateral Development Cooperation, Federal Ministry for Economic Cooperation and Development (BMZ), Germany

3.30 pm Conference ends

Farewell reception

For any further **information regarding the programme**,
please feel free to contact

Mr Holger Wehner

holger.wehner@developmentpolicyforum.de

Fon: +49 (0)30-33 989 640

Fax: +49 (0)30-33 989 602

Please also see: www.inwent.org/Forum_EULAC



Convened by



Federal Ministry
for Economic Cooperation
and Development



UNITED NATIONS



GOBIERNO DE

CHILE

In cooperation with



GREEN BUDGET GERMANY
FORUM ÖKOLOGISCH-SOZIALE
MARKTWIRTSCHAFT

GreenBudgetEurope

With the support of



Federal Foreign Office

gtz

inWent

Capacity Building International, Germany

Organized by

inWent

Capacity Building International, Germany