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Making green fiscal reform happen

Green fiscal reform (GFR) refers to a number of tax and pricing instruments that can raise revenues while furthering goals such as mitigation of climate change, protecting water resources and reducing traffic congestion. Such measures have attracted growing attention in recent years driven by various factors, including the push for fiscal consolidation in some countries (e.g. Ireland, Italy, Portugal) and growing appreciation of the financial burden of certain measures such as fossil fuel subsidies in others (e.g. India, Indonesia).

The current context is particularly favourable for undertaking GFR and the case for such reforms is increasingly made, including by the IMF. However, GFR efforts remain limited and are often constrained by obstacles including concerns over the economic and social impacts of such reforms. While such concerns are important and merit attention, they should not be used as an excuse to avoid or halt GFR as they can be addressed through careful design and implementation of the process.

A new paper by IEEP on ‘Overcoming obstacles to green fiscal reform’ examines how obstacles to GFR can be overcome through targeted mitigation measures for vulnerable groups, careful use of revenues raised, and complementary strategies and tools. The paper draws on lessons from GFR experiences in developed and developing countries across different sectors and policy areas. The paper has been commissioned by the Fiscal Instruments Research Committee of the Green Growth Knowledge Platform (GGKP). It will be presented at the Third Annual GGKP Conference in Venice on 29-30 January and published shortly thereafter.

Some of the key findings of the paper are set out in an Insights Blog post - ‘Making green fiscal reform happen'.

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