

A stylized graphic of a globe, composed of several overlapping, curved lines in shades of blue and light blue, positioned on the left side of the slide.

TRANSITIONAL POLICIES TO ASSIST THE POOR DURING IFSS REFORM

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Outline

- Structure of the paper
- Scope of the paper
- Main messages

- Full paper is available at https://www.g20.org/official_resources/library

Structure of the paper

- ▶ *Executive summary*
- ▶ Introduction
- ▶ The rationale for focusing on transitional measures
- ▶ Addressing the social impact of reforming fossil fuel subsidies
- ▶ Key issues in the design of transitional measures
- ▶ Factors affecting countries' ability to implement transitional measures
- ▶ Conclusions: the relative costs and benefits of various measures
- ▶ *References*
- ▶ *Annex 1: Country-level estimates of the incidence of various types of fossil fuel subsidies*
- ▶ *Annex 2: Additional references*

Scope of the paper

- ▶ Focus of the paper is on assisting the poor while “phasing out inefficient fossil fuel subsidies that encourage wasteful consumption”
- ▶ For simplicity we refer to FFS reform
- ▶ Focus is on how to assist the poor **if** countries voluntarily choose to undertake FFS reform
 - The rationale for assisting the poor is briefly discussed in the second section of the paper
 - Discussion of how to assist the poor does not extend to increasing access to sustainable energy sources for the poor
 - Energy efficiency was excluded by the TORs

Main messages [1]

- ▶ There are no universal recommendations on how best to protect basic energy service consumption by the poor
 - ▶ Country context influences the feasibility, effectiveness and relative costs and benefits of different measures
- ▶ Reforming FFS offers an opportunity for strengthening the social protection system
 - ▶ Avoiding duplications
 - ▶ Relying on and strengthening existing systems
- ▶ On balance a gradual approach seems preferable:
 - ▶ Also non-gradual approaches require time for planning and communication
 - ▶ A decision on pace needs to reflect the price-gap to bridge, fiscal resources etc.

Main messages [2]

- ▶ Broadly speaking countries can follow two main strategies:
 - ▶ Targeting existing subsidies
 - Advantage of being able to rely on existing systems
 - Application to liquid fossil fuels can be problematic
 - ▶ Introducing or strengthening other forms of support for the livelihoods of the poor – in cash or in kind
 - In cash transfers seen as theoretically superior
 - BUT concerns on implementation capacity, and fraud and corruption
 - ➔ Low income countries are building the physical and technical infrastructure to deliver modern social assistance programs lessening these concerns

Main messages [3]

- ▶ Evidence reviewed suggests that:
 - ▶ Carefully designed cash transfers are likely to be the best transitional measure, if they have appropriate coverage
 - Complementary measures might be required to foster income growth in low-income communities and address potential broader impacts of FFS reform
 - ▶ Increasing social service provision or introducing offsetting measures in the tax system or in the pricing of public services can prove valuable alternatives
 - ▶ Efforts to rationalize existing subsidies might be easier to implement, but likely to offer at best a temporary solution given the disincentives they can generate for liquid fuels

Main messages [4]

- ▶ Key factors influencing the success of these transitional policies include:
 - ▶ Availability of data for designing and monitoring the policy response
 - ▶ Institutional coordination as these measures typically involve different stakeholders within government
 - ▶ A consultation and communication strategy involving different institutional stakeholders and the public
- ▶ External support can also play a role, particularly in terms of sharing global knowledge and learning

Thank you!