



TECHNICAL WORKSHOP FOR LATIN AMERICA AND THE CARIBBEAN  
Green Fiscal Policy Network (GFPN)  
UN ECLAC  
October 13 - 14

**ROLE OF GREEN FISCAL POLICIES IN A COVID-19 RECOVERY:**  
*Experience, Best Practice And Next Steps In Latin America And The Caribbean*

## BACKGROUND

Latin America and the Caribbean have become the new COVID-19 global epicenter. The human cost has been tragic, with over 100,000 lives lost, and the economic toll has also been steep. The IMF now estimates the region's GDP to shrink by 9.4 percent in 2020, four percentage points worse than the April projection and the worst recession on record.<sup>1</sup>

Our social and economic fate is inextricably linked to that of nature. Governments have the opportunity and responsibility to ensure short-term emergency measures and medium-term recovery actions lead to a better more resilient future. A green framing for relief and recovery stimulus measures is imperative to build system resilience, support public health efforts and reduce the probability of future pandemics and wider ranging environmental and climate change risks.

The immediate priority is to continue protecting lives and livelihoods, which given the limited fiscal space in the region, will require reprioritizing expenditure and increasing its efficiency. The fallout from the pandemic and associated policy response will also raise medium-term debt sustainability concerns in several countries.

Green fiscal policies can play a key role in countries' recovery efforts by removing inefficiencies in public expenditures and raising additional fiscal revenues which can be directed towards immediate COVID-19 relief measures while supporting medium- to long-term investments and planning for a more sustainable, resilient and inclusive future.

There is also an urgent need to embed climate, nature and pollution considerations into the public finance processes of the regional economies as we move into a decisive stage of action on the SDGs and the Paris Agreement. The resources needed for financing the SDGs are estimated at USD 2.5 to 3 trillion per year. According to the IMF, low-income countries will need, on average, additional resources amounting to 15.4 percent of GDP to finance the SDGs by 2030. The Covid-19 crisis has made it imperative for developing countries to begin reforming their tax systems to generate more resources domestically. The political volatility which existed in many countries in the region before the pandemic has also been exacerbated, with social equity considerations even more important now in the design and implementation of green fiscal policies and accompanying measures for public and political acceptability.

Against this background, this workshop will explore the role of green fiscal policies in greening a COVID-19 recovery with the aim of supporting public health efforts, reducing environmental and

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<sup>1</sup> IMF, Outlook for Latin America and the Caribbean: An Intensifying Pandemic, Accessed on July 14, 2020 from <https://blogs.imf.org/2020/06/26/outlook-for-latin-america-and-the-caribbean-an-intensifying-pandemic/>



climate change risks, and strengthening resilience to future crises by embedding inclusive and sustainable socio-economic considerations in national economic planning.

## ORGANIZERS

This regional workshop is organized by UNEP, GIZ and IMF under the auspices of the Green Fiscal Policy Network (GFPN), in collaboration with the UN ECLAC.

The Green Fiscal Policy Network was established by a partnership between the United Nations Environment Programme (UNEP), the International Monetary Fund (IMF) and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) to promote knowledge sharing and dialogue on green fiscal policies. Launched in 2014, the Network provides an online knowledge-sharing platform and organizes events to share country experiences and push forward the international agenda on green fiscal reform. It is supported by the International Climate Initiative (IKI) of the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU).

## TARGET GROUP

This workshop seeks to foster policy dialogue, peer learning and exchange by bringing together policymakers and experts from governments in the region, mainly from ministries of finance and environment, but also sectoral ministries such as energy, transport and industry, with experts from international organizations, think tanks and academia. Representatives from industry, CSOs and think tanks may be invited as appropriate and feasible. The organizers are seeking to achieve the participation of as many governments from the region as possible.

## FORMAT

Sessions are proposed to be **60 minutes each**, with **3 key guiding questions** structuring the discussions in each session. The 5 sessions will follow a traditional panel format, with **4 key speakers** making presentations in line with the guiding questions (max 10 minutes), followed by an open **20-minute discussion**. The event will be held for a half day over two days.

### Day 1

Opening session: Role of fiscal policies for green COVID-19 recovery

Session 2: *Aligning public finance framework for green recovery plans and beyond: financing for the SDGs and the Paris Agreement*

### Day 2

Session 3: *Pricing pollution and environmental degradation for a green covid-19 recovery*

Session 4: *Removing environmentally harmful subsidies for building back better*

Session 5: *Navigating political economy and equity challenges of green fiscal policy reforms*

## LANGUAGE

The language of the workshop will be Spanish, with simultaneous translation into English to facilitate the participation of international experts from outside the region.

## AGENDA

### DAY 1. Tuesday, 13 October 2020

8:00 – 10:00 Guatemala, Guatemala/San José, Costa Rica

9:00 – 11:00 Quito, Ecuador/Ciudad de México

11:00 – 13:00 Santiago, Chile

16:00 – 18:00 Central European Time

### OPENING SESSION: GREEN RECOVERY – THE ROLE OF GREEN FISCAL POLICIES

Nature has suffered a pandemic-like crisis for over a century. Human activity has accelerated the rate at which plant and animal species are becoming extinct by a factor of over 100, and paved the way for a growing climate crisis. To date, the global economic response to the COVID-19 crisis is set to reinforce this trend. The scale of current relief and recovery packages is unprecedented yet the green measures accounts for a small segment of the total COVID-19 related stimulus spending globally. Given the scale of the recovery packages, it will leave a long-lasting impact on the direction of our economies. Hence, consideration of resilience and sustainability is critical to ensure a recovery that does not derail from the sustainability track world leaders have committed to under the Sustainable Development Goals (SDGs). Focusing on environmental sustainability can deliver multiple benefits in terms of job creation, stimulating demand and economic activity.

- **Why does sustainability need to be at the core of the COVID-19 recovery and how green are current COVID-19 stimulus packages?**
- **How can green fiscal policies deliver on short-term and long-term national priorities for a green and inclusive COVID-19 recovery?**
- **How can good green fiscal policy design address sensitive political economy challenges and just transition concerns?**

CET	Santiago	GREEN RECOVERY – THE ROLE OF GREEN FISCAL POLICIES
16:00-17:00	11:00-12:00	
16:00-16:10	11:00-11:10	<b>Joseluis Samaniego</b> , Director of the Sustainable Development and Human Settlements Division, ECLAC
16:10-16:20	11:10-11:20	<b>Steven Stone</b> , Chief of UN Environment's Resources & Markets Branch (R&M), UNEP and GFPPN
16:20-16:30	11:20-11:30	<b>Santiago Aparicio</b> , Director de Ambiente y Desarrollo Sostenible, Departamento Nacional de Planeación, Colombia
16:30-16:40	11:30-11:40	<b>Brian O'Callaghan</b> , Lead of Oxford University Economic Recovery Project, Oxford SSEE
16:40-17:00	11:40-12:00	<b>Q&amp;A</b>

### SESSION 2: ALIGNING PUBLIC FINANCE FRAMEWORK FOR GREEN RECOVERY PLANS AND BEYOND: FINANCING FOR THE SDGS AND THE PARIS AGREEMENT

Much the same way COVID-19 hits people with pre-existing health conditions more strongly, so is the pandemic-triggered economic crisis exposing and worsening financial vulnerabilities that have built up during a decade of extremely low rates and volatility. In order to build back resilient, inclusive and sustainable recovery, it is crucial to increase the efficiency and effectiveness of budgetary processes

and align them with climate and broader environmental objectives, while also ensuring macro-fiscal sustainability in the medium to long term. Budgeting for the SDGs and the Paris Agreement could allow Latin American and Caribbean governments to identify misalignments of spending and objectives and help identify possible resources which could be re-directed to COVID-19 relief measures, but also allow long-term integration of environmental and climate sustainability into budgetary processes.

- **In the COVID-19 context, what are the key measures to enhance the efficiency and effectiveness of public finance processes in the Latin America and Caribbean region for a sustainable and green COVID-19 recovery?**
- **How can countries in the region efficiently and effectively utilise public finance for a COVID-19 recovery that aligns with the implementation of the SDGs and NDC commitments?**
- **How can the SDGs and NDC commitments be embedded in national economic planning and which challenges exist for realising this?**

CET	Santiago	
17:00-18:00	12:00-13:00	<b>ALIGNING PUBLIC FINANCE FRAMEWORK FOR GREEN RECOVERY PLANS AND BEYOND: FINANCING FOR THE SDGs AND THE PARIS AGREEMENT</b>
17:00-17:10	12:00-12:10	<b>María Dolores Almeida</b> , Green fiscal policy expert, Ecuador
17:10-17:20	12:10-12:20	<b>Violeta Luna and Jorge Escobar</b> , Fiscal Transparency Department, Ministry of Public Finances, Guatemala
17:20-17:30	12:20-12:30	<b>Adán García</b> , Director General, Ministry of Finance Mexico (tbc)
17:30-17:40	12:30-12:40	<b>Neil Bird</b> , Senior Research Fellow, Overseas Development Institute (ODI)
17:40-18:00	12:40-13:00	<b>Q&amp;A</b>

## DAY 2. Wednesday, 14 October 2020

8:00 – 11:00 Guatemala, Guatemala/San José, Costa Rica

9:00 – 12:00 Quito, Ecuador/Ciudad de México

11:00 – 14:00 Santiago, Chile

16:00 – 19:00 Central European Time

### SESSION 3: PRICING POLLUTION AND ENVIRONMENTAL DEGRADATION FOR A GREEN COVID-19 RECOVERY

Funding the massive fiscal measures governments adopt to prevent economic collapse during the pandemic requires seeking ways to increase public revenues in the future. This brings into focus a carbon price and other forms of environmental taxation as a source of income, which has the additional benefit of minimising the risk of misallocating vital investment—think of badly designed infrastructure projects that lock in high carbon emissions for decades to come. A substantially higher carbon price is needed to encourage climate-smart investment and to accelerate the shift to cleaner fuels and more energy efficiency. Other forms of environmental taxation can also help reduce air pollution (research has also found links between higher level of air pollution and increased mortality rates from COVID-19) and support a scale-up of green transition by aligning prices and incentives with SDGs and higher ambition NDCs. At the same time, concern about the impact of environmental taxes on competitiveness in the global market also deserves serious consideration. This transition must be also fair and growth-friendly. For example, environmental tax revenues can be used to

provide upfront assistance to poorer households, lower burdensome taxes, and support investments in health, education, and infrastructure.

- **What are the key considerations for maximising green taxation instruments' effectiveness as an instrument to build back better and combat climate change?**
- **What are the important socio-political and economic factors including competitiveness concerns to consider when designing an appropriate green tax scheme in the COVID-19 context?**
- **How can regional experiences inform good practices and insights into the design, communication and revenue-use components of green tax instruments? And How carbon pricing can contribute to enhance cooperation between countries in the Paris Agreement implementation?**

CET	Santiago	
16:00-17:00	11:00-12:00	<b>PRICING POLLUTION AND ENVIRONMENTAL DEGRADATION FOR A GREEN COVID-19 RECOVERY</b>
16:00-16:10	11:00-11:10	<b>Ian Parry</b> , Principal Environmental Fiscal Policy Expert, IMF
16:10-16:20	11:10-11:20	<b>Rodrigo Pizarro</b> , Climate policy expert, Chile
16:20-16:30	11:20-11:30	<b>Jorge Murillo</b> , Chief Economist, Ministry of Finance, Costa Rica
16:30-16:40	11:30-11:40	<b>Jens Holger Helbo Hansen</b> , Ministry of Taxation, Denmark
16:40-17:00	11:40-12:00	<b>Q&amp;A</b>

#### SESSION 4: REMOVING ENVIRONMENTALLY HARMFUL SUBSIDIES FOR BUILDING BACK BETTER AND OTHER CARBON PRICING TOPICS

Removing fossil fuel subsidies and introducing taxes on fossil fuels that take externalities into account could provide average revenue streams to governments of about 2.6 per cent of global GDP.<sup>2</sup> In particular reforming tax expenditures would further improve taxpayers' perception of the fairness of the tax system and enhance budget transparency. Key negative externalities include local air pollutants that affect local environment and biodiversity, as well as impose significant health costs; and greenhouse gas emissions that contribute to dangerous and costly climate change. The record low oil price provides a rare opportunity for countries to decisions on removing and redirecting such subsidies. Similarly, agriculture subsidies, particularly for fertilizers and pesticides, account for a large share of public spending in many countries and can create perverse incentives that lead to negative environmental impacts (including chemical run-off and leaching, water pollution, increasing GHG emissions) and can have serious consequences on human health and wider socio-economic impacts<sup>3</sup>. Reforming such ineffective and unsustainable agricultural subsidies would lead to significant fiscal savings<sup>4</sup>.

- **What is the role for environmentally harmful subsidy reform in supporting government efforts to finance sustainable COVID-19 relief and recovery in the LAC region?**

<sup>2</sup> Parry, I., Heine, D., Lis, E., & Li, S. (2014). Getting energy prices right: From principle to practice. (IMF, Ed.). Washington.

<sup>3</sup> UNEP (2020 forthcoming) Study on the effects of taxes and subsidies on pesticides and fertilizers, Background document to UNEA-5 Review Report Environmental and health effects of pesticides and fertilizers

<sup>4</sup> For example, in Indonesia a programme to reduce support to the agriculture sector including the removal of pesticide subsidies in the early 1980s led to USD100 million in fiscal savings for the Government. In India, potential fiscal savings from the reduction in fertilizer subsidies under the Zero Budget Natural Farming project being implemented in the state of Andhra Pradesh are estimated to range from USD72 million to USD300 million (see UNEP 2020 forthcoming).

- What can regional experiences highlight with respect to fuel subsidy reform or other environmentally harmful subsidy reform in relation to policy design and political economy and implementation challenges?
- How important is the revenue use component of policy design and its effective communication for the sustainability and success of environmentally harmful subsidy reform?

CET	Santiago	
17:00-18:00	12:00-13:00	<b>REMOVING ENVIRONMENTALLY HARMFUL SUBSIDIES FOR BUILDING BACK BETTER</b>
17:00-17:10	12:00-12:10	<b>Lourdes Sanchez</b> , Senior Policy Advisor and Lead, International Institute for Sustainable Development
17:10-17:20	12:10-12:20	<b>Alexandra Lastra</b> , Head of the Subsidies Unit, Ministry of Economy and Finance, Ecuador
17:20-17:30	12:20-12:30	<b>Agustin Redonda</b> , Senior Fellow, Council on Economic Policies
17:30-17:40	12:30-12:40	<b>Kumar Kylychev</b> , Programme Management Specialist in Sustainable Development, Environment and Energy, Projects Coordinator, UNDP-BIOFIN
17:40-18:00	12:40-13:00	<b>Q&amp;A</b>

#### SESSION 5: NAVIGATING POLITICAL ECONOMY AND EQUITY CHALLENGES OF GREEN FISCAL POLICY REFORMS

There is a need to identify potential impacts of green fiscal policy reforms including the full range of costs and benefits, winners and losers, and intended and unintended effects across economic, social and environmental spheres. The political challenges of reform remain significant and sometimes despite good intentions and due processes, green fiscal policy reform efforts fail or decisions are reversed in the face of political or social pressures. Although the current economic situation calls for green fiscal policy reforms, good design, sequencing and communication will be necessary to navigate sensitive, and in many cases, justifiable political economy challenges.

- What are key factors to consider in order to make green fiscal policy socially just (going beyond merely minimising short-term negative effects from green fiscal reforms to actually adding value to socio-economic equity and SDG progress), especially in the COVID-19 context?
- What is the role of communication and perception-building in green fiscal policy design to gain socio-political acceptance?
- What can regional experiences with green fiscal policies illustrate about key considerations and best practices related to policy design, communication and sequencing?

CET	Santiago	
18:00-19:00	13:00-14:00	<b>NAVIGATING POLITICAL ECONOMY AND EQUITY CHALLENGES OF GREEN FISCAL POLICY REFORMS</b>
18:00-18:10	13:00-13:10	<b>Fernando Lorenzo</b> , Investigador, Centro de Investigaciones Económicas
18:10-18:20	13:10-13:20	<b>Luis Miguel Galindo</b> , Investigador, Universidad Nacional Autónoma de México



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<b>18:20-18:30</b>	<b>13:20-13:30</b>	<b>Jan Steckel</b> , Head of working group Climate and Development, The Mercator Research Institute on Global Commons and Climate Change
<b>18:30-18:40</b>	<b>13:30-13:40</b>	<b>Spain Government representative</b> , Just transition <b>(tbc)</b>
<b>18:40-19:00</b>	<b>13:40-14:00</b>	<b>Q&amp;A</b>