



Global Subsidies Initiative

Building Support for Fossil-Fuel Subsidy Reform

Kerryn Lang, Project Manager, GSI

18 March 2013



GSI Global
Subsidies
Initiative

iisd International
Institute for
Sustainable
Development Institut
international du
développement
durable

Better living for all—sustainably

The Global Subsidies Initiative

- Established by the **International Institute for Sustainable Development (IISD)** in 2005
- **Purpose:** to investigate and promote reform of subsidies that have negative economic, social or environmental impacts
- Phase I (2006 – 2008): Biofuel subsidies
- Phase II (2009 – 2011): Fossil-fuel subsidies
- **Phase III (2012 – 2015): Energy and Water**

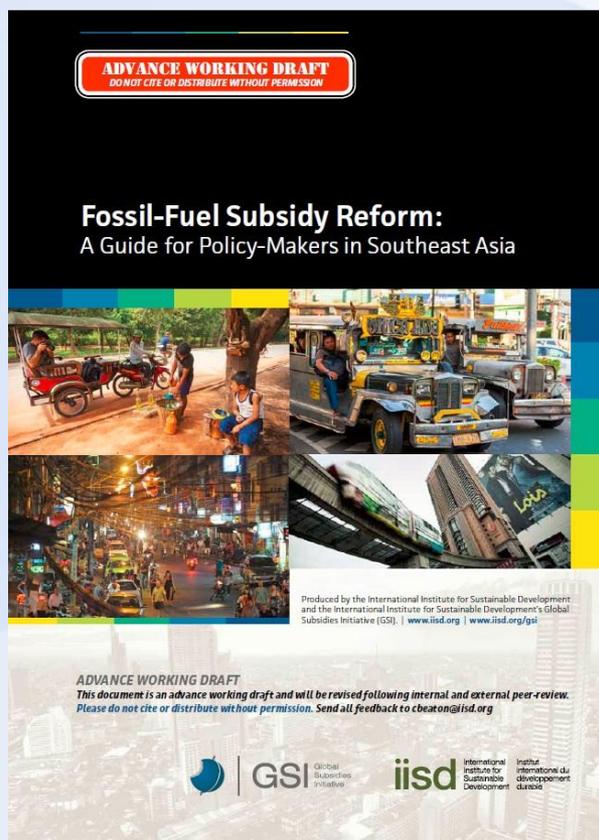


GSI Global
Subsidies
Initiative

iisd

Framework for subsidy reform

Guidebook for policy-makers (April 2013)



1. Getting the prices right

2. Managing impacts of reform

3. Building support for reform



GSI Global Subsidies Initiative

iisd

Challenges: Internal

- Unclear or changing reform plans
- Various government bodies involved, making it difficult to keep messages consistent
- Government culture can be resistant to openness



Challenges: External

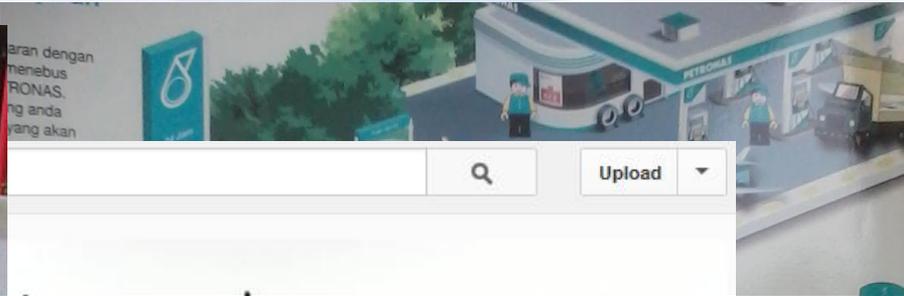
- Strong public perceptions of entitlement
- Cost of living is a major issue: perceptions vs reality
- Subsidy reform gets tied up in other public grievances (e.g. corruption, management of natural resources)
- Short-term pain for long-term gain

Behavioral economics tells us that:

- *We have a strong bias against change; we prefer harmful inaction over harmful action*
- *Individuals attach extra value to goods/services they already own/receive*
- *Individuals are more motivated by avoiding loss than acquiring a similar gain*



Lessons learned from Southeast Asia



SMT201068585

SUBSIDI BAHAN API OLEH

TRKH BACAAN DAHULU: 15

What's missing?

- Strong internal coordination throughout the reform process

I N T E R N A L	Inception of policy proposal (lead ministry and minister)	Decide approach (all relevant ministries & central agencies)	Clearance by decision makers	Development of detailed plan (relevant ministries)	Decide & release final policy & comms. strategy (meeting with cabinet)	Monitoring and adjustment (lead ministry)
	Research the likely impacts of reform				Choose and design new pricing mechanism & mitigation measures	Implementation
E X T E R N A L	Awareness-raising communications about subsidy and the need for reform		Consultations with stakeholder groups on likely impacts	Consultations w stakeholder groups on reform plan	Communications on final policy; raising awareness of plan & mitigation measures	Communications on actual impacts, adjustments and successes

- E.g. Nominate a high-level spokesperson (President's office)



What's missing?

- Research and preparation to understand public and stakeholder views
- Simple but varied messages for target audiences

Function	Raise awareness of subsidy problems	Neutral
Example focus of messages	Costs; inefficiencies; comparison with other countries; impacts on poor & environment.	Identify and correct counter miscon

- Positive messages: e.g. Philippines

POLITICAL PRICING

- Oil subsidy displaced more important govt expenditures.
- * Equivalent to:
 - Free rice for 17.6 months to the poorest 30% of the population below poverty line
 - 62,241 schoolhouses
 - 5,280 kms of rural roads
 - 146,080 deep wells for drinking water or
 - 2 light rail transit lines



What's missing?

- More dialogue and consultations with stakeholder groups
- For example:
 - Iran: surveyed 12,000 companies
 - Vietnam: interviews, surveys and focus group discussions on impacts for households and informal sector



GSI Global
Subsidies
Initiative

iisd

Conclusions

- Invest in communications, use external expertise as required
- Need strong leadership at both levels: across departments and amongst political leadership
- Be flexible: many variables – political, social and economic – in reform policies. Communications strategy should monitor and adapt to shifting policy context.

