



Global Subsidies Initiative

Building Support for Fossil-Fuel Subsidy Reform

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Subsidies
Initiative

iisd International
Institute for
Sustainable
Development
Institut
international du
développement
durable
Better living for all—sustainably

The Global Subsidies Initiative

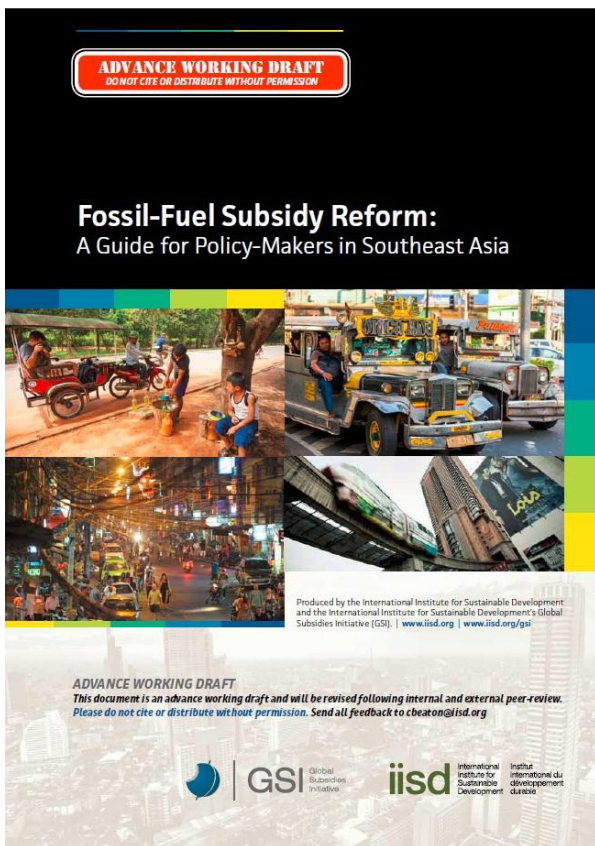
- Established by the **International Institute for Sustainable Development (IISD)** in 2005
- **Purpose:** to investigate and promote reform of subsidies that have negative economic, social or environmental impacts
- Phase I (2006 – 2008): Biofuel subsidies
- Phase II (2009 – 2011): Fossil-fuel subsidies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



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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



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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:

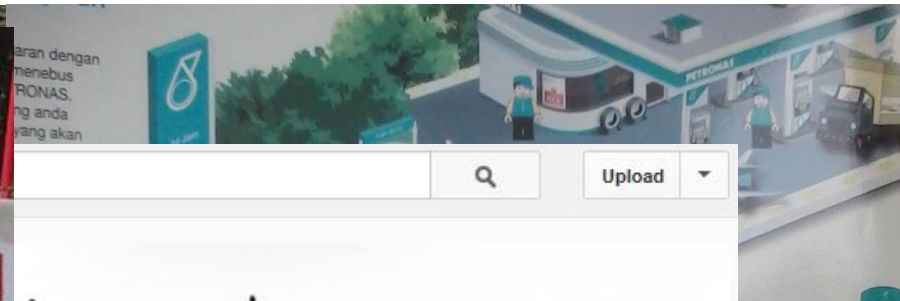
- *We have a strong bias against change; we prefer harmful inaction over harmful action*
- *Individuals attach extra value to goods/services they already own/receive*
- *Individuals are more motivated by avoiding loss than acquiring a similar gain*





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Lessons learned from Southeast Asia



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SUBSIDI BAHAN API OLEH

TRKH BACAAN

DAHULU: 15

What's missing?

- Strong internal coordination throughout the reform process

INTERNAL	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
EXTERNAL	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 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



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.

