

"Taxation and environment"

Call for papers

CONTEXT

As part of the new inter-ministerial strategy between the Ministry for the Economy and Finance and the Ministry of Europe and Foreign Affairs (MEFA) published in June 2020, French official development assistance (ODA) aims at becoming more involved in domestic resource mobilisation (DRM). Such mobilization refers to the capacity of States to collect revenue, particularly through taxation, and to use it to fund their growth. Domestic resources represent the primary source (more than 50%) of development funding in Africa, far ahead of ODA (around 15%).

The operationalisation of this strategy requires the implementation of a multi-year Strategic Investment Plan for Development (SIPD 2020-2023). This plan, composed of bilateral and multilateral components, provides 60.3 million euros for the funding of initiatives promoting the mobilisation of domestic resources, primarily in sub-Saharan Africa (SSA).

Therefore, in order to ensure the effective implementation of the new French strategy and the SIPD, the MEFA have created a platform for exchange and coordination, bringing together the French public and private actors involved in supporting DRM in developing countries. This platform provides a network of actors with clearly identified functions and responsibilities, making it possible to act in concert and to have a better understanding of French interventions.

Its mission is to:

1. Ensure the coordination of the actions of the various stakeholders;
2. Develop the link between administrations and research in order to consolidate the French offer of expertise on the international scene;
3. Monitor the indicators of the SIPD 2020-2022 and draw a reflection on the French intervention;
4. Train French operators through inter-ministerial seminars;
5. Involve civil society in the reflection on support for DRM;
6. Promote French expertise during seminars/conferences to promote the priorities of the strategy.

As part of this second objective, the MEFA has decided to fund the production of research papers, aimed at generating knowledge and providing food for thought for the members of the DRM platform in defining future projects.

The theme chosen by the platform for the second call for papers is the analysis of the expected and actual effects of tax and customs policies in addressing the main environmental problems faced by many developing countries.

JUSTIFICATION AND QUESTIONINGS

Environmental taxation is defined as all taxes and charges based on a pollutant or, more generally, on a product or service that damages the environment¹. In addition to these taxes and charges, tax measures are also put in place to encourage the energy transition (e.g. tax exemptions on electric vehicles, on the production of energy from renewable sources, on the renovation of buildings, etc.).

As the tools available to a state under environmental taxation are varied and practices differ markedly between countries, important questions arise about its theoretical framework, its implementation in developing countries and the political economy of these tax reforms.

1/ Its theoretical framework: What is the underlying economic justification for state intervention and what are the main objectives to which environmental taxation can contribute (i.e. discouraging pollution and GHG emissions, strengthening resilience to climate change, encouraging investment in green technologies, internalising negative externalities, etc.)? What particular concerns do the extractive (oil and gas and mining) and forestry sectors, the urban congestion, etc. bring?

2/ Its implementation in developing countries, and particularly in priority countries for French cooperation²: What special considerations for developing economies (as opposed to advanced economies) concerning the impact of environmental taxes? What recommendations should be made given the capacity constraints of tax administrations? For environmental tax expenditures, in which cases are they appropriate and what are the points of attention to be considered for their design and implementation (also in terms of tax management)? What are the gains in terms of public revenue (considering tax measures that are exemptions)?

3/ The political economy of these tax reforms: What political narrative is needed to accompany this implementation and promote its social acceptability? What is the role of the state in ensuring the redistributive aspect of the measures and compensating for their possible negative effects on inequality and poverty? What compensatory mechanisms can be put in place?

¹ Definition from the French Ministry of Ecological Transition.

² Benin, Burkina Faso, Burundi, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Djibouti, Ethiopia, Gambia, Guinea, Haiti, Liberia, Madagascar, Mali, Mauritania, Niger, Senegal, Togo

In this context and in response to these questions, this study aims at analysing the potential and actual effect of tax and customs policies on the main environmental problems facing developing countries in order to identify guidelines for a more appropriate tax and customs policy.

EXPECTED DELIVERABLES

Four deliverables are expected for this study:

- **A critical review of the literature** on the effect of environmental/ecological taxation - including all tax measures, including tax expenditures - on the major objectives of environmental policy and, in particular, the energy transition. It will document the impact of environmental taxation through the analysis of various initiatives in place around the world (e.g. carbon adjustment mechanism at the European Union's borders, carbon taxes in South Africa, Mexico, etc.,). The literature review will make it possible to identify, among the major orientations mentioned in the previous section and which will have to be dealt with in this review, the one(s) which will be the subject of the detailed study. Particular emphasis should be placed on the priority countries for French cooperation. It could include a summary of the support provided by the main bilateral (e.g. G7) and multilateral donors on the theme selected for the study; This review is due on June 15th 2022.
- **A scoping note** for the remainder of the study will propose a more in-depth analysis of key issues that may have emerged during the literature review and may be of operational interest (e.g. implementation of new tax measures). This note will present the proposed methodology, the timeline, the references and data sources, as well as the limits of the analysis. This scoping note should be presented for validation on July 1st 2022.
- **An interim report** should be submitted by 15th September 2022. This report should contain the following elements:
 - The critical literature review;
 - An overview of current tax practices in the theme(s) and geography chosen for the study;
 - The result of the analysis arising from the proposal of the scoping note, validated following the presentation of the scoping note;
 - Possibly a case study of developing countries that have adopted environmental tax measures and present opportunities for reform in response to priority national environmental objectives;
 - Guidelines for a more appropriate environmental tax policy in developing countries, with a particular focus on priority countries for French cooperation; A short note summarising the main conclusions of this study (maximum 5 pages).

- **A final report**, taking into account the comments made, should be produced by October 15th 2021 at the latest.

A seminar to present the results, mainly aimed at highlighting the operational implications of the study, will be organised in the last quarter of 2022. The objective will be to propose recommendations to help French cooperation to define support for putting taxation at the service of environmental protection in developing countries. The precise format of this event (webinar, feedback seminar, or other) will be determined at a later stage of the study.

Validation of deliverables

The different deliverables will have to be transmitted to the Monitoring Committee of the call for contributions (focal points: manon.bastard@ferdi.fr and antonin.perriot@diplomatie.gouv.fr) which will provide comments and reasoned opinions that the contractor will have to consider.

Expertise required

The team must include at least one senior economist (minimum 10 years of experience). It must meet the following qualifications and criteria:

- Have published research articles on taxation in peer-reviewed journals.
- Have published or at least have a good knowledge of specific problems related to environmental issues.

A good working knowledge of the practice of taxation in developing countries will be appreciated.

Modalities of response, budget and timetable

Contributors are invited to submit

- A technical proposal including
 - A presentation of the candidate including a maximum of 10 references relevant to this study (similar services carried out by the candidate over the last 10 years). The relevance will be analysed according to the nature of the references presented and the subject matter.
 - The understanding of this call for papers and any comments on it.
 - The envisaged methodological approach, a timetable and the CV(s) of the expert(s).
- A financial proposal showing all detailed costs.

The maximum budget available for this study is € 25.000 including VAT.

These proposals should be sent before March 22th 2022 via email to manon.bastard@ferdi.fr. Contributors whose proposals have been selected will be contacted in early April 2022 for a start on April 15th 2022.

BIBLIOGRAPHY

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