



Fiscal Mechanisms for a Sustainable Forest Sector

October 24 - 25, 2018

Workshop Program

Workshop Objectives

Present and peer-review contributions to a forthcoming World Bank publication on research to design fiscal mechanisms for incentivizing deforestation-free landscapes and value chains.

Venue

Day 1, October 24

Room MC 7-424 (7th Floor)
1818 H Street NW
Washington, D.C., 20433

Day 2, October 25

Room J 9-044 (9th Floor)
701 18th St NW
Washington, D.C., 20006

Emergency contact details of organizers:

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Day 1, October 24

Objectives

- 1) Share experience/findings and discuss ideas and thoughts with colleagues
- 2) Understand how each contribution adds to the overall message
- 3) Identify synergies and/or areas of overlap to cross-reference between chapters and within chapter author teams
- 4) Identify potential gaps which need to be covered, mentioned and/or dropped
- 5) Perform a peer-review and quality control of each contribution through open discussion

8:30 - 9:00 Light Breakfast & Registration

9:00 - 9:20 Opening Remarks

Benoît Bosquet, Director

World Bank Environment and Natural Resources Global Practice (ENR)

Steven Johnson, Assistant Director

International Tropical Timber Organization (ITTO)

9:20 - 10:50 Session A: The Role for Fiscal Policy in a Smart Mix of Policy Instruments for Reducing Deforestation

Reducing deforestation and forest degradation requires many forms of policy interventions, improved law enforcement and investments. Fiscal policy is only one of these interventions, as most countries will equally need non-fiscal policy changes to reduce deforestation and forest degradation. However, while fiscal policy is only one factor, it may require particular attention. This session will therefore scope out what the role of Finance Ministries and fiscal policy is within the broader set of interventions that are needed to reduce deforestation and forest degradation in different country circumstances.

Introductory Remarks

Chair: **Magda Lovei**, Practice Manager, *East Africa, ENR*

Presentations

Garo Batmanian, Lead for Forests and Landscapes, *ENR*

“The need for adequate pricing and policies for forest assets”

Meerim Shakirova, Operations Officer, *Global Unit, ENR*

“World Bank forest sector interventions”

Stefan Speck, Project Manager, *European Environment Agency*

“The rationale and role for environmental taxation within a smart policy mix”

Anil Markandya, Director, *Basque Centre for Climate Change (BC3)*

“Forest fiscal reforms and the informal sector”

Theodore Trefon, Senior Researcher, *Royal Museum for Central Africa*; Senior Strategy and Policy Lead, *World Resources Institute (WRI)*

“Pathways to improved forest governance through fiscal policy in the DRC”

Discussants

Alain Karsenty, Senior Researcher, *French Agricultural Research Centre for International Development (CIRAD)*

Giulia Barbanente, Land Tenure Consultant, *International Fund for Agricultural Development (IFAD)*

Jon Strand, Consultant, *World Bank (WB)*

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10:50 - 11:10

Coffee

11:10 - 12:30

Session B: Tax Instruments for Reducing Deforestation

Specific tax mechanisms will be presented which can potentially contribute to forest conservation. Panelists will discuss the tax mechanisms currently in use in the forest sector, such as area fees, royalties and excise taxes, as well as new fiscal mechanism designs, such as the carbon-based feebate and alternative applications.

Introductory Remarks

Chair: **Christophe Crepin**, Practice Manager, *East Asia Pacific, ENR*

Presentations

Thornton Matheson, Independent Fiscal Expert

“Taxonomy of forestry taxes”

Ian Parry, Principal Environmental Fiscal Policy Expert, *Fiscal Affairs Department, International Monetary Fund (IMF)*

“The rationale for, and design of, a feebate for forest carbon sequestration”

Dirk Heine, Economist, *World Bank Macroeconomics, Trade and Investment Global Practice (MTI)*

“Tax discounts for legality/sustainability certificates”

Discussants

Bill Magrath, Consultant, *World Bank Governance Global Practice (GGP)*

Anil Markandya, Director, *Basque Centre for Climate Change*

12:30 - 13:30

Lunch

13:30 - 15:00

Session C: Fiscal Policies to Reduce Deforestation from Traded Commodities

Deforestation and forest degradation can occur in the production of traded commodities. Some countries are applying fiscal policies to such commodities, but these may not yet be designed in a manner that contributes to reducing deforestation and forest degradation. This session will discuss options for reforming such policies, and their limitations in trade law.

Introductory Remarks

Chair: **Kseniya Lvovsky**, Practice Manager, *Europe & Central Asia, ENR*

Presentations

Dirk Heine, Economist, *MTI*

“Border tax feebate schemes”

Johanna Wehkamp, Researcher, *Mercator Institute on Global Commons and Climate Change (MCC)*

“Export tariffs combined with public investments as a forest conservation policy instruments

Dylan Geraets, Associate, *Government & Global Trade, Mayer Brown*; Associate Professor for Public International Law, *KU Leuven*

“Fiscal incentives for decreasing deforestation: The legal limits on export taxes?”

Goran Dominioni, Consultant, *WB*

“WTO compatibility of carbon tax scheme on imported forestry products”

Discussants

Antoine Coste, Economist, *World Bank Finance, Competitiveness and Innovation Global Practice (FCI)*

Grzegorz Peszko, Lead Economist, *Global Unit, ENR*

John Hontelez, Chief Advocacy Officer, *Forest Stewardship Council (FSC)*

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15:00 - 15:20 Coffee

15:20 - 17:30 **Session D: Fiscal Regimes Across Sectors**

This session will analyze the incentives of such fiscal policies for converting forests to other land uses. Presenters will discuss feebate mechanisms, as well as more general reforms to land use sector fiscal policy, including Intergovernmental Fiscal Transfers (IFTs) and reforms to agricultural subsidies and public expenditures.

Introductory Remarks

Chair: **Michael Toman**, Research Manager, *Environment & Energy, World Bank Development Economics Vice Presidency (DEC)*

Presentations

Madhur Gautam, Lead Agriculture Economist, & **Friederike Mikulcak**, Agricultural Specialist, *World Bank Agriculture Global Practice*

“The role of agricultural subsidies in driving deforestation”

Tuan Minh Le, Lead Economist, *MTI*

“Forest-smart fiscal reforms for the extractive industries”

Theodore Trefon, Senior Researcher, *Royal Museum for Central Africa*; Senior Strategy and Policy Lead for the Central Africa Forests, *WRI*

“Fiscal obstacles and opportunities in Congo’s charcoal sector”

Irene Ring, Chair of Ecosystem Services, *International Institute Zittau, Technical University of Dresden*

“Addressing public actors: Ecological fiscal transfers for biodiversity and forest conservation”

Giulia Barbanente, Land Tenure Consultant, *IFAD*

“The role of public actors in biodiversity and forest conservation: Forest tenure”

Discussants

Thornton Matheson, Independent Fiscal Expert

Stefan Speck, Project Manager, *EEA*

Timothy Brown, Senior Natural Resource Management Specialist, *ENR*

17:30 - 19:30 Reception

Venue: MC Dining Room D & E (C1 level)
1818 H Street NW
Washington, D.C., 20433

End of Day 1

Day 2, October 25

Objectives

- 1) Determine how, where to cross-reference individual chapters with parallel PROFOR-GGP Forest Governance project
- 2) Review World Bank format for reports

8:30 - 9:00 Light Breakfast

9:00 - 10:20 **Session E: Forest Governance & Practical Considerations**

The session will discuss real-world factors which impact the application of fiscal policies in the forest sector and the potential for best practices in a second-best world. Presentations include the use of fiscal instruments under governance constraints, how to design fiscal policy consistent with good governance and revenue management, and how information instruments, such as third-party certifications, can aid fiscal policies.

Introductory Remarks

Chair: **Hoveida Nobakht**, Practice Manager, *Operations & Strategy, ENR*

Presentations

Alain Karsenty, Senior Researcher, *CIRAD*

“Using fiscal incentives in fragile states”

Steve Davenport, Senior Governance Specialist, *GGP*

“Governance in forestry”

John Hontelez, Chief Advocacy Officer, *Forest Stewardship Council (FSC)*

“The role of certification in forest fiscal policy”

Discussants

Johanna Wehkamp, Guest Researcher, *MCC*

Theodore Trefon, Senior Researcher, *Royal Museum for Central Africa*; Senior Strategy and Policy Lead for the Central Africa Forests, *WRI*

10:20 - 10:35 Coffee

10:35 - 12:15 **Session F: The Way Forward**

Panelists will examine how to move forward given discussion outcomes of the Workshop. Opportunities for collaboration between organizations, areas which need further study, and pathways toward policy applications will be discussed.

Introductory Remarks

Chair: **Marianne Fay**, Chief Economist, *World Bank Sustainable Development Vice Presidency (TBC)*

Panelists

Garo Batmanian, Lead for Forests and Landscapes, *ENR*

Angela Kallhauge, Lead, *Carbon Pricing Leadership Coalition (CPLC)*

Ian Parry, Principal Environmental Fiscal Policy Expert, *IMF*

Miria Pigato, Climate Change Lead, *MTI*

Marijn Verhoeven, Lead, Global Tax Team, *GGP*

Day 2, October 25

12:15 - 12:30

Closing Remarks

Steven Johnson, Assistant Director, *International Tropical Timber Organization (ITTO)*

12:30 - 13:30

Lunch

End of Day 2

Conference Organizers

World Bank

Garo Batmanian

Dirk Heine

Meerim Shakirova

Fnu Hanny

Erin Hayde

International Tropical Timber Organization

Steven Johnson

Kanako Ishii