



Building Coalitions for Change



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Over the last decade, Pakistan has made significant strides in the field of fiscal reforms, resulting in revenue increases and positive environmental impacts. The process of decentralisation initiated in the country after the promulgation of the Local Government Ordinance 2001 offers promising avenues for financing much-needed poverty reduction and development initiatives locally. Despite this progress, long-standing challenges remain. These include a low revenue base, avoidance and evasion, multiplicity of taxes, limited implementation as well as resistance from vested interest groups. The process has been further exacerbated due to issues over fiscal powers at the local level and the lack of enabling conditions for fiscal decentralisation.

In order to overcome these challenges and ensure locally-driven poverty reduction and development, it is important to involve the federal and provincial governments to facilitate the process of decentralisation. There is also a pressing need to engage and support local governments through dialogue, capacity building, enabling research and pilot fiscal reform options. This can be achieved through the process of fostering broad support and building coalitions for change to explore options that would provide local governments with alternative means of raising revenue to meet poverty reduction and development objectives.

Environmental Fiscal Reforms

There are significant linkages between poverty and environment in Pakistan as natural resources provide a key source of

livelihood for the poor. The poor suffer not only from declining access to these resources but also environment-related ill health due to unavailability of safe drinking water and other civic amenities such as sanitation. Many of these issues can be tackled by improved pricing of environmental goods and services in ways that benefit the poor. Against this backdrop, Environmental Fiscal Reforms (EFR) feature important and innovative fiscal measures to raise revenues while furthering poverty alleviation and environmental goals.

Carefully designed and implemented, EFR can contribute to poverty reduction by improving access to environmental services for the poor, addressing environmental problems that affect them and freeing up finances for pro-poor investments. In the decentralisation context, the development community is paying increasing attention to how public policy – including fiscal policies – can help reduce poverty through such measures and increase local revenue. This revenue can in turn be used to improve access to safe water, sanitation and other civic amenities for the poor, thereby contributing to their well-being.

The Project

“Building Coalitions for Change to Implement Pro-Poor Environmental Fiscal Reforms” is a three-year project designed to tackle these challenges. Supported by the Swiss Agency for Development and Cooperation, the project is being implemented by the World Conservation Union (IUCN) in partnership with the Pakistan Institute of Development

Environmental Fiscal Reforms

Poverty Reduction

- Improving environmental quality through better natural resource management and provision of environmental infrastructure: the health and livelihood of the poor is inextricably linked to the environment
- Fiscal revenues: revenues for pro-expenditure on health, education and civic amenities
- Protection or compensation: to safeguard the poor from price increases

Environmental Benefits

- Incentives for sustainable natural resource management
- Incentives for curbing pollution (air, water, soil)

Fiscal Benefits

- Revenue mobilisation
- Reduced distortions
- Reduced drain on public finances

Economics (P.I.D.E.) and District Government Abbottabad. The primary aim of the project is to forge linkages between research, policy advocacy and pilot implementation of EFR in Pakistan by building on ongoing reforms. To this end, the project will explore opportunities to promote a coordinated approach to policy formulation and implementation on the premise that environmental problems invariably cut across spatial, administrative and temporal boundaries. The project will undertake EFR-related activities at the federal, provincial and district levels. Engagement at the federal and provincial levels will entail research and policy advocacy to build support for EFR, address

challenges regarding fiscal powers and foster enabling conditions for fiscal decentralisation. District-level work, on the other hand, will serve as a testing ground for implementation of EFR instruments. The district chosen to implement pilot activities is Abbottabad which has already developed an Integrated Development Vision in a participatory manner.

Project Components

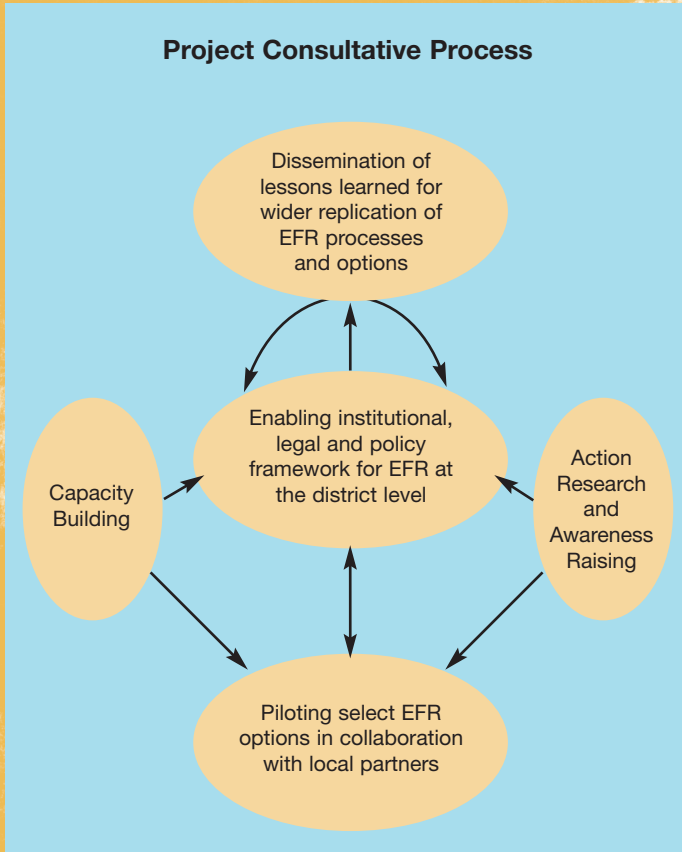
Action research and awareness raising

This component will have two parts. The first is action research which entails assessment of key fiscal instruments and their linkages to environmental and financial benefits. These assessments will seek to prioritise promising EFR options and identify potential partners, institutions and actors that can play a key role in the EFR initiative at the local level. This will in turn be supplemented by assessments of the institutional, legal and policy opportunities and constraints to the adoption of EFR options as well as assessment of Willingness to Pay (WTP) for improved environmental services. The findings will be promoted through the second aspect that involves awareness raising in order to underscore how EFR options contribute to increased revenue, poverty reduction and environmental improvement.

Capacity building

The project will build capacity of two key stakeholders in Abbottabad: partner organisations and local government. Through coaching, mentoring and learning-by-doing, local partners will be trained to implement pilot initiatives such as the creation of systems for tax base measurement, assessment

techniques and collection methodologies. Similarly, the capacity of local government will be enhanced using innovative techniques, enabling them to set in place an appropriate framework for the implementation of EFR.



Enabling institutional, legal and policy framework

This component anchors the efforts to build coalitions on pro-poor EFR options at the district, provincial and federal levels as well as with more influential players such as the World Bank and Department for International Development (DFID) who are currently in dialogue with the Government of Pakistan on the reform process. This would be done by building support and partnerships in order to create an enabling framework for EFR options. In addition, a constituency would also be built to garner support for developing human resources and validating the findings of the research studies.

Piloting Select EFR Options

An important aspect of this project is to implement a select menu of EFR measures at the district or lower level. The pilot activities would be based on assessments of the political clout and leverage of partners to implement pilots and change policy for scaling up EFR work in the future.

Disseminating lessons learned for wider replication

Documenting of lessons on processes and options will play an instrumental role in building wider awareness, willingness and support for replication. For this purpose, the project aims to develop advocacy material and organise events to disseminate project experiences.