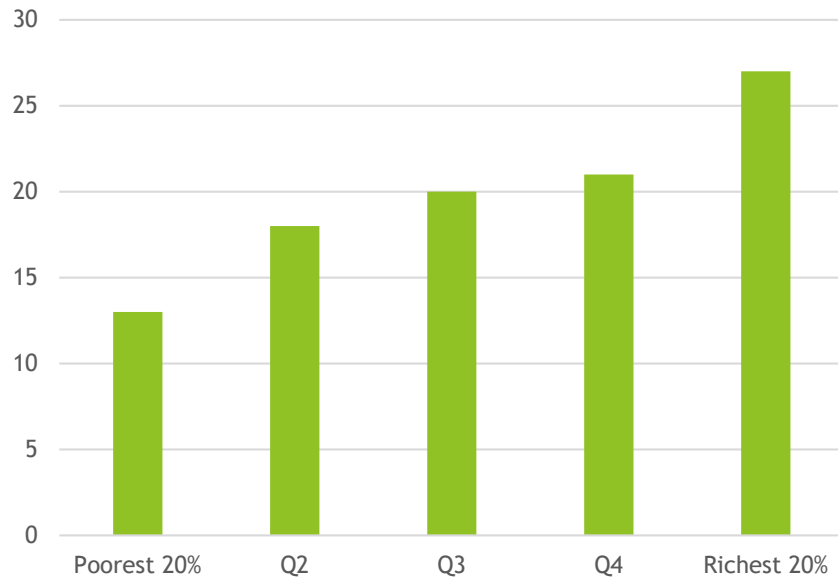


How have countries mitigated the impact of subsidy reform on the poor?

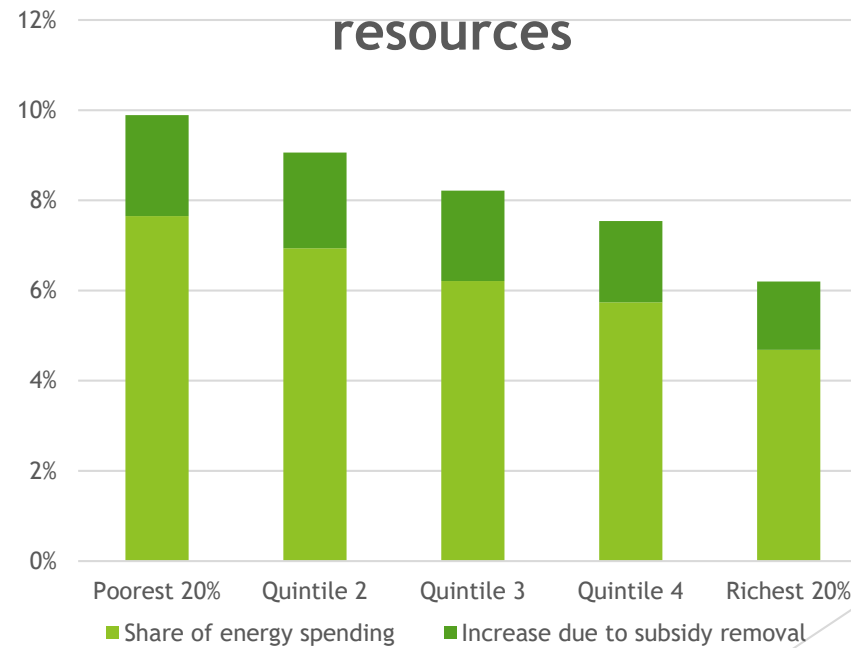
Session III

The basic challenge of mitigation...

Share of the subsidy benefiting different income groups



Spending on energy relative to household resources



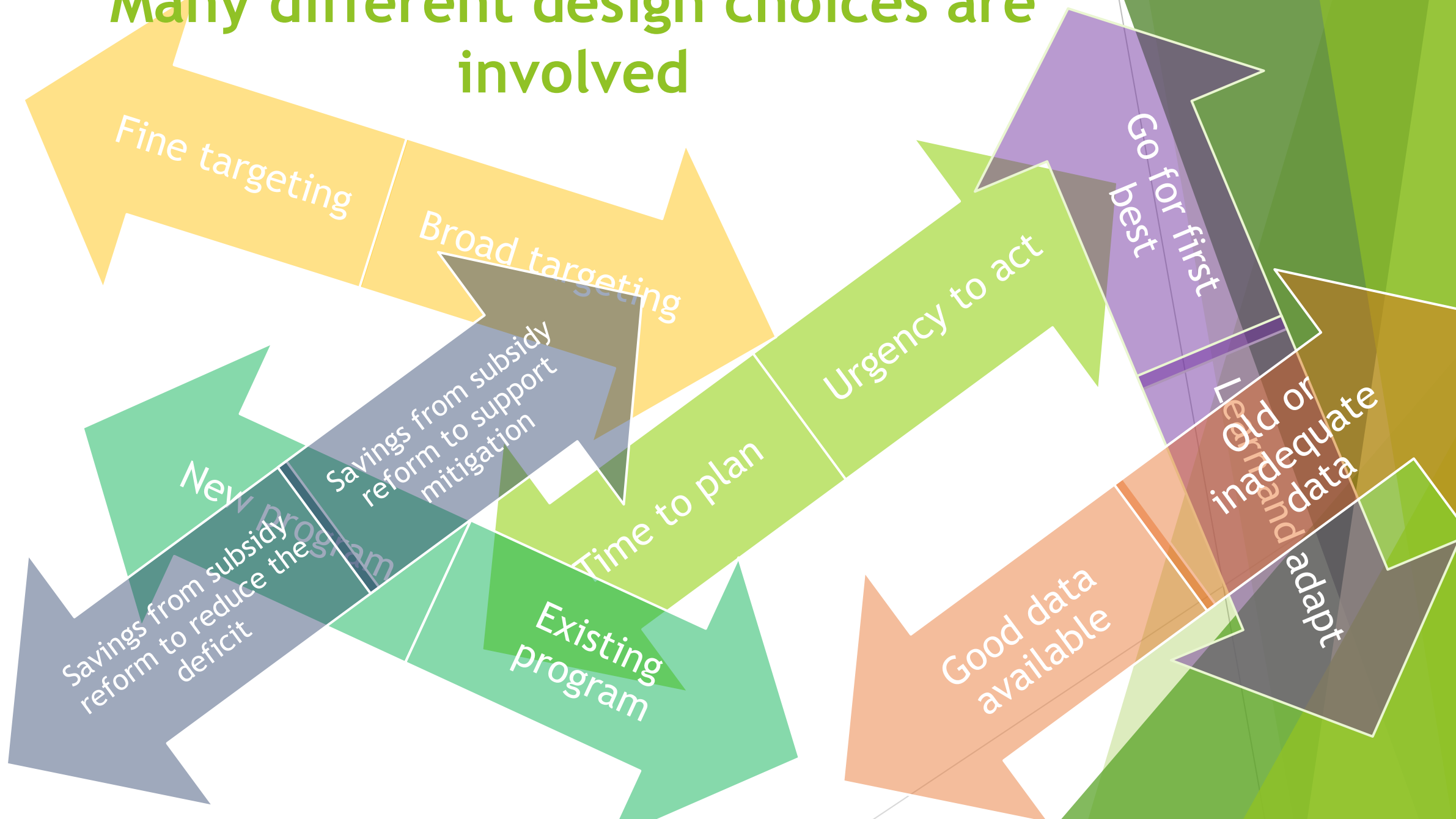
... and the elements of a response

- ▶ Ensure that the poor continue to benefit from support
- ▶ Make that support conditional on income rather than on consumption of fossil fuel

- ▶ A range of policy options countries have been relying on:
 - ▶ Rationalize existing subsidies, often as a temporary solution
 - ▶ Relying on a cash transfer program to reach the poor
 - ▶ Offsetting the negative impact through increased provision of social services or the pricing of public services

- ▶ A gradual approach to subsidy removal might be preferable
- ▶ A careful diagnostic of impacts is essential to program design

Many different design choices are involved



Questions for the panelists

- ▶ Mitigating the negative consequences of energy sector reform: who to target?
- ▶ How were the poor identified (in the short- and longer-term)? Were mitigation payments time-limited?
- ▶ How much is allocated to mitigating the negative consequences of energy sector reform as opposed for example to subsidizing cleaner energy sources or energy efficiency
- ▶ How much did the program contribute to the credibility/sustainability of the reform? And which factors contributed to this outcome (program well established versus new program etc.)? How important were consultation and communications?