

Perceptions of Subsidy Reform

Trends and Anecdotes

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A Personal Account

- In the context of a World Bank Just-in-Time support to the Ministry of petroleum **during the first half of 2014**
- To Develop a communication strategy and action plan accompanying fossil fuel subsidy reform
- In which Environics cooperated with the International Institute for Sustainable Development (IISD)
- **Report not yet published** (by WB or MoP)

Evidence Based Research

- **Literature**

Reports, Articles and public statements

- **Interviews**

Industry, agricultural investors, tourism, transport, finance and planning as well as energy and administration experts

- **Focus Group discussions**

Transport (taxis, minibuses, small trucks and tuk-tuks), small farmers, small Industries, poultry farms and
Youth

- **Telephone Survey**

2000 Households, geographically distributed

Knowledge also useful for policy planning

Some Misperceptions

- **Energy share of expenditures**

Perceived much larger than they are reaching
Over 15% for Households; and
25% for Farming !!

- **Energy Prices are High**

Might hold some truth relative to income

- **Underestimation of Size of Subsidy**

Most respondents said they can afford a 5% increase (including 49% of high income respondents !!)

Real misperceptions or strategic answers ?

Popular Demands

- **Gradual Progress**

Towards market prices

- **Transparency**

Long term plans for price revisions

What are the “real” costs of energy?

- **Social Equity**

Who should carry most of the burden?

- **Availability**

Almost half (44%) of the respondents said that they can pay for availability, 67% of higher income group

- **Reform considered when economic conditions improve**

Cause or Effect?

Unfortunately, only a few were achieved so far

Adaptation

- **About half of the Households will restrain energy consumption**
- **None of the businesses mentioned energy efficiency as a**
It is questionable whether an honest lack of knowledge or a denial of responsibility
- **Most Enterprises requested support**
Very specific for larger investors
- **While using the arguments of**
“competitiveness”, “impact on labor and consumers ” and
“attractiveness to FDI”

Evolving Reactions of Businesses

- **First, outright rejection**
e.g. Farmers would leave land idle and drivers will burn their minibuses
- **Next, transfer Burden to Consumers or to State**
High demand due to growing population, supplier market
The Power to disrupt
The need to preserve livelihood
- **Ultimately, realizing that “a different world is possible”**
Fertilizer and higher prices for farmers, licenses for tuk-tuks, jobs for youth, higher economic activity for trucks, etc...

Which comes first is Critical for Reform Planning

Common Threads

- **Transport**

Is the one thing of which all are worried whether for passengers or goods ... need for State action.

- **Aspirations**

for a sustained growth of business; and
a better rate of economic development

- **Subsidy reform is more palatable**

a tool rather than an objective
a part of a larger vision for development

But Which Vision for Development ?

The Development Vision

- Related to **the Role of the State** ;
- **What freed resources are used for**
more than
The gradual raising of the price of energy,
The fact that the wealthy benefit more from the current subsidy scheme; and
The targeted transitional support to the vulnerable.
Reform is integral part of Development Plan
rather than
Mitigation Plan for impacts of Reform

Level of Confidence

- **There is (was) a low level of confidence that these resources will be directed to what**
 - Labor intensive investments,
 - Public Service, e.g. transport,
 - Health and education, as per the constitutional pledges
- **Rural, poorer and older people have a higher confidence in government**
- **Younger Urban respondents also expect a lot from the State (while still don't trust**
- **This seems to be on its way to be resolved**

Credibility should be nurtured and preserved

What Communication ?

- Dialogue (FGD) was highly appreciated

Although aware that we are not decision makers

- Frustration expressed as

They will do what they want anyway !!!

Citizens or Subjects ?