

Ecological fiscal transfers for biodiversity conservation in Brazil: options for a federal-state arrangement

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Effective biodiversity governance has to address the spatial aspects of biodiversity conservation in relation to governmental levels. As biodiversity conservation usually involves costs at decentralized levels of government, whereas benefits reach up to national and global levels, ecological fiscal transfers (EFT) are a suitable policy instrument to account for these spillover benefits on the side of public actors.

Brazil and Portugal - countries that have so far adopted ecological fiscal transfers - target exclusively local governments. This is exemplified by the Brazilian case, where many states have adopted EFTs as a compensation mechanism for municipalities, an arrangement known as ICMS-Ecológico. The ICMS-Ecológico takes ecological indicators into account – protected area coverage being the most common – to share revenues of a state-collected VAT-like tax with local governments.

However, as other federal countries, Brazil has a three-tier federal system of governance - federal government, states and municipalities - and no EFT has been implemented to address the relations between the two upper levels. This is of special concern when it comes to biodiversity conservation and regulatory arrangements of many ecosystem services, as relevant public functions are usually assigned to state and/or federal level in Brazil.

This research explores the rationale supporting a federal-state EFT in Brazil, including an overview on the allocation of ecological public functions, considerations on the financing of these functions and an insight of biodiversity-relevant regulatory policies in place. Options for establishing a federal-state EFT are then be discussed, comparing the alternatives of a) establishing a new scheme or b) implementing changes on existing transfer schemes. In addition, the interface between such an EFT scheme and the existing biodiversity-relevant regulatory framework is discussed; arguing for possible incentive effects this instrument could promote on the implementation of command-and-control policies already in place (eg. protected areas policy and forest protection policy).