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## **Evaluating policy coherence: the case of environmentally harmful subsidies**

Policy coherence is often mentioned as a key feature of good governance. Indeed, implementing policy instruments that counteract existing targets or programmes – e.g. regarding environmental improvements or sustainable development (SD) - is non-efficient, non-effective and undermines public support for policy programmes. Nevertheless, such policy instruments do exist. This paper illustrates an approach to evaluate the coherence problem with a focus on environmentally harmful subsidies identified in Flanders (Belgium) and Austria.

Economic instruments are considered to be the key solution for SD-problems by many scientists and practitioners. However, current use of these instruments shows a lack of policy coordination and coherence. On the one hand, environmentally related taxes are put in place to discourage harmful activities or reduce the use of harmful inputs, whereas, on the other hand, numerous financial subsidies have been in place since decades, supporting production in various economic sectors and thus the related emissions. The OECD defines such harmful subsidies as "...financial supports and regulations that are put in place to enhance the competitiveness of certain products, processes or regions, and that, together with the prevailing taxation jurisdiction, (unintentionally) discriminate against sound environmental practices". Removing these subsidies is difficult, since they have been in place for decades and have been introduced for other than environmental purposes. Nevertheless, by reducing (environmental) costs for the beneficiaries these support measures may represent a distortion and slow down the structural change towards more sustainable economic structures.

Apart from a general discussion of environmentally harmful subsidies the paper will include a comparative case study, with empirical results of studies that have been carried out in Flanders (Belgium) and Austria. It will compare policy designs and incentive effects in both countries.

The paper will also evaluate the current situation in case study sectors like energy and transport (and possibly agriculture), present policy solutions and recommendations. Finally, this paper will try to transform the methodological experiences of the two studies into conclusions that could support the development, in a further stadium, of a general methodology for evaluating similar policy coherence questions in other countries.