



“If we are an independent state, if we want to evolve independently, then we should regulate the market economy through taxes. To this end, we should pay more attention to the work of tax authorities”.

*Heydar Aliyev*  
*National Leader of the Azerbaijani people*

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Prof. Dr.  
**Elshan HAJIZADEH**  
editor-in-chief

*Dear readers,*

We are pleased to present you the second edition of the “Tax Journal of Azerbaijan” in English. This edition contains socio-economic and academic papers that were published in different volumes of Azerbaijani edition.

This special edition coincides with the 10<sup>th</sup> anniversary of “Tax Journal of Azerbaijan”. These 10 years saw changes in design, frequency of our journal; however, its aim and mission remained the same.

Dynamic taxation system has been one of the key elements of economic reforms, socio-economic development, and establishment of market economy in Azerbaijan. The mission of our journal is to support this taxation system, by communicating latest legislation in this field to the broader audience and contributing to formation of relationship between taxpayer and the tax organizations that is based on mutual trust. Moreover, “Tax Journal of Azerbaijan” plays a very important role in educating population in taxation. It also stimulates researchers to focus on this field.

We can certainly say that by analysing latest socio-economic trends, our journal has contributed to the development of economics in our country within past 10 years. It has become a tribune for academic innovations in taxation sector.

With 3800 copies published every edition and annual submissions exceeding 100, “Tax Journal of Azerbaijan” has become the leading publication among its

peers. Moreover, the journal started penetrating international arena as well. The major objective is to be included in the highly ranked international databases. During past few years our journal has already been listed in Turkish research databases such as “Arasdirmax” ([www.arasdirmax.com](http://www.arasdirmax.com)), “AkademikDizin” ([www.akademikdizin.com](http://www.akademikdizin.com)), German academic database EconBiz ([www.econbiz.de](http://www.econbiz.de)) and prominent e-library in the United States ([www.journalindex.net](http://www.journalindex.net)).

Our journal fully meets conditions set by the Supreme Attestation Committee under the President of Azerbaijan. Now, a researcher submitting his paper to our journal, can track the status of 3-staged refereeing process online ([www.vergijurnali.az](http://www.vergijurnali.az) və [www.taxjournal.az](http://www.taxjournal.az)). The website also contains the archive of the all papers published in our journal, which is 440 papers from submitted Azerbaijan and abroad.

Azerbaijan’s socio-economic development has been in the focus of global community for past few years. The transition to market economy is already finished. Hence, academic elite of our country has a very important new task: to derive lessons from this transition and focus on working out economic development programs for the future. “Tax Journal of Azerbaijan” is always keen to cooperate with researchers for this purpose.

The main purpose of the English edition is to bring the work of Azerbaijani researchers in economics and particularly in taxation to the attention of international community. Taking this opportunity, we would like to thank the Ministry of Taxation for providing us with support to prepare this edition.





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## THE USE OF ENVIRONMENTAL TAXES, SUBSIDIES AND INCENTIVES AND FOREIGN AID AS THE TOOL OF ENVIRONMENT PROTECTION

pp. 187-198

### Abstract

*Purpose* – the purpose of this study is to discuss environmental taxes, subsidies, incentives and rewards, and international support and foreign aid as a proposal for a solution to the protection of the environment. The issue that will be discussed within the framework of the three environmental protection instruments.

*Design/methodology/approach* – unlimited human needs but limited environmental resources. So people have been in a constant race and quest to meet their basic needs or acquiring a greater share of environmental resources. People who make a variety of economic activities wanted to live more happy by raising the level of prosperity. In this context, protecting the environment and sustaining economic activities made possible by the use of certain financial instruments.

*Findings* – the negative effects of various economic activities and their reflections to the environment were based on some of the economic and financial measures required to minimize pollution. Because in terms of the importance of a sustainable economy, a sustainable society, a sustainable environment and a sustainable future was come out.

*Originality/value* – in addition to appearance of the effects of the international dimension of environmental problems, due to countries inadequacy, international support and foreign aid submitted as a proposal for a solution. The applications that a necessity of international co-operation and international social responsibility are supported, especially developed countries, to foster development of an environmental mentality. As a result, the effect of canalizing of these instruments that are referred to as an instrument of environmental protection reduce environmental pollution and solve the other environmental problems will support the creation of environmental protection policies and thus protection of the environment will be provided.

**Key words:** *environmental problems and protection, environmental taxes, subsidies and incentives, foreign aid.*

**JEL Classification Codes:** E01, F18, F35, F63, F64, H2, K32, K34, O13, O44, Q0, Q1, Q2, Q3, Q4, Q5.

## 1. Introduction

The experienced environmental problems forced humans to be more sensitive in economic activities and necessitated the consideration of environment and the ecological balance as much as individual, environmental and international requirements while resources consumed and waste produced. The people who wanted to acquire bigger share of resources, and live happy and prosperous life have produced and consumed more via development models which missed to consider the environment and the future. Various environmental problems started to affect people as the result of which environmental economics acquired central role and effect as the router of economic activities. Within this frame, since the suspension of economic activities cannot be the case, it is necessary the apply more efficient, environment friendly and future visionary economic model and insights. It is possible to realize this insights for environment protection through taxes, support purchases, incentives, rewards and international aid.

Environmental taxes takes an import place for application of environmentally friendly economic models and ensuring environmental protection. Because it will create pressure to increase costs on producers. Therefore the manufacturer, will be looking for ways to make production more environmentally friendly and they will produce less waste, use fewer and more efficient energy and resources in order to reduce the environmental taxes burden. This type of taxes are referred to as environmental taxes, environmental taxes, green taxes and ecological taxes. In practice, they are are collected as fuel consumption, environmental cleaning, carbon, energy taxes. It should not be aimed that the purpose of these taxes is to protect the environment and they should not have revenue increasing characteristics and provide only small improvements in producer and consumer behaviors. Although theoretically expected to be successful, it can not be said that they always give the desired results and support environmentalist economic structure.

The subsidies, which mainly aim to decrease costs both from manufacturers and consumers perspective also aim to the application of environmental policies. Therefore, it is intended to support the cease of the application of practices that causes to old and dirty production, and support the production processes that consider environmental precisions via subsidies such as technology transfer to producers, equipment purchases, training on various topics. However, routinely and long-term implementation of subsidies may not give positive results. Another item that is applied to protect the environment is eco-label application. The system that based on direct award of producers and indirect award of consumers targets the minimization of environmental damage in the entire process from production to consumption. Thus environment protection policies are supported by encouraging of both producers and consumers.



From time to time environmental problems expand the scope beyond the national boundaries and cause to international scale consequences. In this case the solution of emerging problems requires cooperation between countries. Even if the area affected is small, when intricate and intense environmental problems experienced that cannot be overcome by one or several countries performance of the various assistance or support must be provided to troubled countries. Indeed, the solution of the problems such global warming, ozone layer depletion, nuclear leaks, tanker accidents that threaten the whole world is impossible without establishing international cooperation. In addition, environmental problems, poverty and injustice due to the development gap cause to environmental injustice. Therefore, the contribution of the developed countries to the national environmental policy of the least developed countries, ensuring their economic development compatible with the environment and thereby assistance in solving environmental problems will be possible.

## **2. The use of environmental taxes, subsidies incentives and foreign aid as an environment protection tool**

Use of economic instruments in the search for environmental protection has been discussed for a long time and the use of these tools for protection of the environment against the economic activities that are the main reason the environment degradation was seen as a necessity. Because of the economic gain and profit of enterprises in the field of environmental law, according to the arrangements made faster responses in spite of economic measures, has been clear and effective. The regulations and economic measures that didn't take shape within the framework of free market conditions did not give the desired results. Therefore the need for the use of economic instruments that directs consumers to the markets overseeing environmental sensitivity has emerged. In this context, environmental taxes, purchases support (*subsidies*), incentives, rewards via foreign aid and international support will be examined as the financial-based solutions in environmental protection<sup>1</sup>.

### **2.1. Environmental taxes**

Race for economic development, has led the countries to short-term issues such as inflation and unemployment. The negativities reflected in the environment has shown the need for changing this understanding<sup>2</sup>. Since the economic activities are

<sup>1</sup> Kate O'Neill, (2009), "The Environment and International Relations", Cambridge University Press, 1. Edition, Cambridge; Peter P. Rogers, Kazi F. Jalal ve John A. Boyd, (2008), "An Introduction to Sustainable Development", (Ed.), I. P., Earthscan, Glen Educational Foundation, London; Simon Marsden, (2008), "Strategic Environmental Assessment in International and European Law: A Practitioner's Guide", Earthscan, Dunstan House, I. P., London; Jane Holder, (2008), "The Prospects for Ecological Impact Assessment", Ed. Holder, J. ve D. McGillivray, Taking Stock of Environmental Assessment: Law, Policy and Practice, I. P., Routledge-Cavendish, Oxon; Mary M. Shirley, (2008), "Institutions and Development: Advances in New Institutional Analysis", Edward Elgar Publishing, Cheltenham; Michael Faure, Marjan Peeters ve Andri G. Wibisana (2006), "Economic Instruments: Suited to Developing Countries?", Ed. Faure, Michael ve Nicole Niessen, Environmental Law in Development: Lessons from the Indonesian Experience, New Horizons in Environmental Law Series, Edward Elgar Publishing, Cheltenham; Sands, a.g.e.; Wilkinson, a.g.e.; Jack, Rostron, R. P. Jackson, D. Legge, E. J. Longworth, J. Parry ve P. J. Regan, (2001), "Environmental Law For The Built Environment" (Ed.), I. P., Cavendish Publishing, London; Linde-Rahr ve Sterner, a.g.e.

an integral part of human life, it was seen the importance of the effectiveness of least polluting economic understanding and minimization of pollution via some economic measures with this framework. The importance of these measures for the sustainability of both the environment and the economy is clear.

Environmental taxes acceptability by society in the solution of environmental problems is associated with the degree of success of tax and social awareness. The examples of application of promotion and awareness-raising about contributions received from plastic garbage bag in Ireland and distance-based road fee application for the removal inconvenience due to heavy vehicles in Switzerland since 2001, indicate that this relationship and perception was understood correctly and accepted by the great majority of society. To implement this response against to environmental problems perceived as a Direct and open threat, to the problems such as climate change, ozone layer depletion and eutrophication away wetlands will be difficult since they do not have a direct effects on great majority of society<sup>3</sup>.

The most effective effective and efficient<sup>4</sup>, the most powerful<sup>5</sup> and the most common<sup>6</sup> financial measure for in terms of pollution prevention and environmental protection policy is the environmental tax practice which has the objective of encouraging pollutants to consider the costs as the result of reflection of pollution on the environment. Accordingly, environmental taxes will increased price of products harmful to the environment, and thus a fall in demand to this products will lead to the development of the environment<sup>7</sup>. More independent applicability than the other economic measures and efficiency of the environmental taxes will help to kept environmental pollution at a desired and the right (*optimal*) level. This level of pollution is based on minimization of pollution and costs when comparing social and private costs with the total benefits<sup>8</sup>.

Environmental pollution taxation idea was first brought into the agenda by British economist Arthur C. Pigou in 1920 in his work named The Economics of Welfare. According to Pigou, pollution levels at an optimum level is the basis of the classical concept of environmental taxes (*marginal benefit-marginal social cost*)<sup>9</sup>. This understanding has moved a step further by Paulus who engaged in feasibility studies related to environmental taxes: “all of the tax system should be restructured as ecological”<sup>10</sup>.

The taxes named as environmental taxes, green taxes, ecological taxes (*fuel consumption, environmental cleaning, carbon, energy*) should not have income mul-

<sup>2</sup> Jamali, a.g.e., s. 77.

<sup>3</sup> OECD, (2006), “The Political Economy of Environmentally Related Taxes” OECD Publishing, Paris, s. 152.

<sup>4</sup> OECD, a.g.e., s. 10.

<sup>5</sup> Wilkinson, a.g.e., s. 182.

<sup>6</sup> Ali Değirmendereli, (2004), “Çevrenin Korunmasında Özel ve Kamu Girişimi ya da Çevre Koruma Araçları”, Ed. Marın, Mehmet C. ve Uğur Yıldırım, Çevre Sorunlarına Çağdaş Yaklaşımlar, Beta Yayınları, Yayın No: 1483, İstanbul, s. 497.

<sup>7</sup> OECD, a.g.e., s. 10.

<sup>8</sup> Wilkinson, a.g.e., s. 183.

<sup>9</sup> Faure ve diğ., a.g.e., s. 225.

<sup>10</sup> Faure ve diğ., a.g.e., s. 247-248.

multiplier feature and intention of making only minor modifications in the behavior of individuals and companies<sup>11</sup>. Besides, only aiming for reducing environmental damage can cause to environmental taxes to be incomplete. It can be said that environmental taxes provides “double” earnings, since they have a main objectives of reduction of environment pollution, decreasing environment pollution via limitation of activities causing waste generation and exploitation of natural resources, promotion of cleaner production and consumption via separation of the “clean” and “dirty” products, sustaining environmental protection policies and increasing social welfare<sup>12</sup>.

Environmental taxes with their theoretical difficulties do not always have desirable results. Application of taxation for controlling pollution optimality causes difficulties for administrations to provide information and make arrangements in terms of industrial marginal cost and marginal cost of pollution. Paradoxically the most efficient tax arrangements is likely to be the most complex and unfair. Taxes are not always considered to lead changes in pollutants’ behavior, support technological advances, stimulate innovative developments and separate clean and dirty technologies. Unilateral, complex and intensive application of taxes has a negative effect over local industries in term of production and so it forwards companies to the countries where they can see appropriate tax environment. Application of taxes should be seen as a social justice creator and protector of poor in front of rich ones. That is main goal of all taxation systems<sup>13</sup>.

Various direct and / or indirect taxes for environmental protection such as energy for taxes (150), motor vehicle tax (125), waste taxes (50), production and waste management tax (35) and waste recycling, incineration and landfill tax (15) as well as various direct and / or indirect taxes are applied in all OECD countries<sup>14</sup>. However, although widely used as an environmental protection measure at the national level, it can not be said that it is generally accepted in the international arena. Proposed by James Tobin in 1998 and known as the Tobin tax, the introduction of a tax on cross-border exchange rate changes can be considered as a start in terms of international environmental taxes. In this context, in the event held in Mexico in 2002, it has been agreed to be spent income derived from this tax treatment on global environmental issues (*global warming, unemployment, population growth, etc.*)<sup>15</sup>.

Besides, for the first time in 1992, the EU has proposed the imposition of international environmental tax in order to balance the reduction of CO<sub>2</sub> levels, particularly fossil fuel products<sup>16</sup>. This practice was implemented by Directive 2003/87/EC in 2003<sup>17</sup>.

<sup>11</sup> Turgut, a.g.e., s. 131.

<sup>12</sup> Linde-Rahr ve Sterner, a.g.e., s. 683-684; Sands, a.g.e., s. 161; OECD, a.g.e., s. 12; Jamali, a.g.e., s. 84-89.

<sup>13</sup> Wilkinson, a.g.e., s. 185-186.

<sup>14</sup> OECD, a.g.e., s. 26.

<sup>15</sup> Jamali, a.g.e., s. 286-288.

<sup>16</sup> Sands, a.g.e., s. 161.

<sup>17</sup> Faure ve dig., a.g.e., s. 239.

In one of the decision<sup>18</sup> EU Court of Justice has made reference environmental taxes and the Directive proposal in this area Dispute arised in the contract signed between the Finnish electricity company “Outokumpu Oy”’s and Sweden and when it came the EU Court of Justice, a lack of environmental taxes work not only the national level, but as well as at Community level was seen. When benefits of these taxes stated it has been recognized that, there exists various arrangements on waste but there is a gap in this area<sup>19</sup>.

Environmental taxes are applied in a variety of ways. Emissions (*in order to reduce waste and emissions*) taxes is calculated based on the amount of waste disposed into air, water and soil. Producers and consumers pay tax based on the amount of waste they dispose into the environment. The most important tax in this area is carbon tax. Product-based taxes are taxes on items that harm the environment when thrown into environment. Examples are tax for fertilizers, pesticides, plastic bags. Usage-based taxes are taxes paid for environmental cleanliness and benefit from other services and generally applied at the level of local government taxes. This taxes are for the protection of natural resources. In this regard, water extraction, wastewater disposal, beekeeping, fishery and aggregate taxes are mostly applied to generate resources. Utilization of some available tax advantages is the way to ensure protection of the environment via using another environmental tax resources. Tourism, green building, noise, property taxes are used as tools for economic environmental protection<sup>20</sup>.

In Turkey, there is no tax directly placed in order to prevent pollution since taxes have been established for fiscal purposes<sup>21</sup>. Environmental Cleanliness Tax imposed by local management in order to create resources for environmental services can be seen as an arrangement directly related to the environment. However, it can not be considered as the source point for solution of environmental problems. Income, Corporate, VAT, Excise, Motor Vehicle taxes are an indirect tax arrangements. Although the purpose of these taxes is not the prevention of environmental pollution, it can be said that they contribute to the solution of environmental problems<sup>22</sup>.

## 2.2. Support purchases (subsidies), incentives and rewards

Are transfer of the state to private bodies and institutions of equity or goods in the form of subsidies, grants, aid, flexible and low-interest loans or financial guarantees. This definition has been explained by the OECD as “keeping prices below the market prices for consumers, keeping prices higher than the market prices for

<sup>18</sup> AB Adalet Divanı, Case C-213/96 Reference for a preliminary ruling: Outokumpu Oy [1998] ECR I-1777.

<sup>19</sup> L. Kramer, (2002), “Casebook on EU Environmental Law”, Hart Publishing, 2. Rev. Edition, Oxford, s. 120-127.

<sup>20</sup> Harry Albinsson, (1997), “Legal, Economic and Administrative Instruments”, Ed. Brune Dag, D.V. Chapman, M.D. Gwynne ve J.M. Pacyna, The Global Environment: Science, Technology and Management, Scandinavian Science Publisher, VCH, vol. 1., Weinheim, s. 1134-1135; Sands, a.g.e., s. 161; Değirmendereli, a.g.e., s. 498-499; Jamali, a.g.e., s. 219-285.

<sup>21</sup> Değirmendereli, a.g.e., s. 500.

<sup>22</sup> Jamali, a.g.e., s. 322-331.

producers or reducing costs via either direct or indirect support both from the consumers and producer's point<sup>23</sup>. The concept and use of subsidies is not simple with a variety of purposes since this definition includes all financial support, financial arrangements<sup>23</sup>.

Environmental subsidies is based on the objective of achieving to decrease in emission reductions costs and emission reduction which are required by environmental policies<sup>24</sup>. Therefore, the actual purpose is to encourage the application of new and advanced applications and technologies instead of old and more pollution producing applications and technologies, and encourage the environmentally friendly production and consumption<sup>25</sup>. Many countries in addition to the tax use training, equipment purchases, audit, subsidy in the areas of direct assistance which are more effective<sup>26</sup>.

Subsidies to eliminate market imperfections that cause various damages if not controlled are opposite to taxation in terms of behavior change. Therefore, subsidies does not always serve the purpose of environmental protection as the taxes. This may cause to disruption of national and international trade balances, inequality and used by firms for profit purposes<sup>27</sup>. Indeed EEA 2005 proposed reorganization in the subsidies, because some subsidies are economically inefficient and cause to environmentally negative consequences<sup>28</sup>.

The subsidies used to create positive behavioral changes, directs firms to behave in accordance with some environmentalist standards<sup>29</sup>. This change in behavior should not be directed to limitation of only economic activities which are harmful to the people and city life but should include the elimination of probable losses in terms of biodiversity and wildlife habitat<sup>30</sup>. Agricultural and industrial subsidies and created rules can have a profound effect on the environment through prevention of unnecessary or excessive use of resources<sup>31</sup>.

Subsidies on basic needs such as water is critical. Topic is in the foreground because of human and ecological dimensions rather than economic dimension. Creation of a balanced and equitable water policy according to the need is a good example of the ecological subsidy applications<sup>32</sup>. Instead of agriculture, industry, trade discrimination the cross-subsidies which cover the entire production/consumption process are applied<sup>33</sup>. Because subsidizing of one industry sector may cause to the risk of

<sup>23</sup> OECD, a.g.e., s. 173.

<sup>24</sup> Jamali, a.g.e., s. 105.

<sup>25</sup> Wilkinson, a.g.e., s. 186.

<sup>26</sup> Albinsson, a.g.e., s. 1135.

<sup>27</sup> Wilkinson, a.g.e., s. 186-187.

<sup>28</sup> Jamali, a.g.e., s. 149.

<sup>29</sup> Albinsson, a.g.e., s. 1135.

<sup>30</sup> Ian Bowles, David Downes, Dana Clark ve Marianne Guerin-MCmanus, (1998), "Economic Incentives and Legal Tools for Private Sector Conservation", Duke Environmental Law and Policy Forum, Spring, Vol. 8/209, s. 243.

<sup>31</sup> Rogers ve diğ., a.g.e., s. 208.

<sup>32</sup> Shirley, a.g.e., s. 102.

<sup>33</sup> Esther Gerlach, (2008), "Regulating for The Poor", Ed. Franceys, Richard ve Esther Gerlach, Regulating Water and Sanitation for The Poor: Economic Regulation for Public and Private Partnerships, I. P., Earthscan, MPG Books, London, s. 46.

creating unfair an unbalanced situation in terms of competition and environmental sensitivity of other related sectors.

The taxation and payments by polluters to eliminate costs of the pollution caused by them or prevention probable pollution can cause a number of dilemmas such that economic anxiety and difficulties in entrepreneurship activities. Therefore, the use of incentives as the exception is the case. However, it can be said that the whole society bearing the pollution costs as the result of state subsidies to pollutants is the problem. Exceptions are generally intended to adapt to the new system in the transition period to pollution reductions<sup>34</sup>.

Promoting the long-term implementation of incentives can have some negative consequences in terms of both the economy and the environment. Because of incentives has the trade and competition distorting structure. To attract companies to the the ground of environmental benefits may be shown as justified reason for government subsidies<sup>35</sup>. In this regard, the use of incentives along with the taxes, is the realization environmental objective. The use of the funds generated via environmental taxes as the subsidies in order to protect and improve environment is starting point of this approach<sup>36</sup>.

Environmental subsidies in Turkey is arranged in Environmental Law (*Article 29*). Pollution prevention and elimination activities were evaluated in terms of incentive. According to the additional paragraph<sup>37</sup> introduced by the regulations, plant establishing treatment facilities has the chance to buy energy 50% cheaper. In addition, there are other incentives possibilities as well (*article 3/h and 18*). Therefore, the issue of incentives in the law can be said to be related to a broad framework<sup>38</sup>. In general, there is no an incentive for environmental protection and financial mechanism for behavior change in the Turkish tax system<sup>39</sup>.

Giving “eco-label” in the eco-label application form to the products which has the minimum environmental damage in the process from production till consumption is a reward system. The system while contributing to the creation of production-consumption market for environmentally friendly products giving rewards to the producers and consumers of environmentally friendly products will affect the production behavior of firms<sup>40</sup>. Environmental policy instrument environmental label is also called eco-label<sup>41</sup>. The system works via rewarding companies that it is sensitive to the environment by giving a label goods and services. General Agreement on Tariffs and Trade (*GATT*), the World Trade Organization (*WTO*) and the work of international organizations such as the OECD and the Aarhus Convention, have contributed

<sup>34</sup> Turgut, a.g.e., s. 140.

<sup>35</sup> Sands, a.g.e., s. 164-165.

<sup>36</sup> OECD, a.g.e., s. 171.

<sup>37</sup> Değişik: 26.04.2006-5491/20 m.

<sup>38</sup> Turgut, a.g.e., s. 146-147.

<sup>39</sup> Jamali, a.g.e., s. 331-332.

<sup>40</sup> Değirmendereli, a.g.e., s. 506.

<sup>41</sup> Marsden, a.g.e., s. 161.

to this process. EU Eco-Label Regulation adopted in 1992 (*Directive 92/880/EC*) and as revised in 2000 (*Directive 1980/2000/EC*), as the distinction of being the first document in the international arena. This arrangement was made to reduce the negative environmental impact, efficient use of resources and thus to ensure a high level of environmental protection<sup>42</sup>.

### ***2.3. International support and foreign aid***

Many of the environmental problems influence areas beyond the region, show transboundary features and the fact that the countries alone are insufficient in solutions have required international cooperation. It has been accepted that international organizations established by countries in order to solve the problems or avoid potential problems has the liability for the issues related to the environment.

It is very important that other countries come for a help if one country face with the environmental problem that can not overcome alone. Global warming, ozone layer depletion, nuclear leaks, tanker accidents, various chemical wastes and production made with old technology and systems revealed problems such as pollution that affected the whole world. So the to be insensitive and inert against the problem is not the case.

Environmental concerns and solution proposals has been diversified among the countries since poverty resulting from injustice and unfair resource sharing causes environmental problems, environmental problems and injustice causes poverty and environmental problems and poverty causes injustice<sup>43</sup>. One of these suggestions is foreign aid and international support. It can be said that the concerns are that it can lead environmental injustice and environmental colonialism through the shift of environmentally risky investment, hazardous facilities and other economic activities to poor and powerless countries<sup>44</sup>. Since south countries evaluate environmental policies and development efforts of northern countries as a means of impediment, it is understandable why southern countries review global environmental politics differently from northern countries. Yet governments are affected by domestic political and economic factors in international environmental negotiations<sup>45</sup>.

Developed countries are exporting pollution to less developed countries through various investments<sup>46</sup>. Shifting hazardous industry from developed countries to less developed countries is not creating problems due to economic returns in these countries with weak and inadequate understanding of the environment. Production of the products prohibited on the grounds of environmental damage are accepted by the least developed countries because short-term economic gains and damages are ig-

<sup>42</sup> Sands, a.g.e., s. 861-862.

<sup>43</sup> Yusuf Şahin, (2004), "Çevre Yoksulluk ve Adalet", Ed. Marın, Mehmet C. ve Uğur Yıldırım, Çevre Sorunlarına Çağdaş Yaklaşımlar, Beta Yayınları, Yayın No: 1483, İstanbul, s. 439-441.

<sup>44</sup> Turgut, a.g.e., s. 12.

<sup>45</sup> O'Neill, a.g.e., s. 69.

<sup>46</sup> Ö. İbrahim Kaboğlu, (1996), "Çevre Hakkı", İmge Kitabevi, Yenilenmiş 3. Basım, Ankara, s. 149.

nored. Due to the high risk and cost of storage in the territory of their own country, developed countries send their industrial waste to less developed countries<sup>47</sup>. In addition, manufacturing using old technology and production techniques on a large scale in these countries causes to environmental problems. However, it seems impossible that these countries overcome these problems alone. Therefore, the support of developed countries in international cooperation and assistance, international environmental policy making and implementation can be seen as an important economic tool<sup>48</sup>.

Environmental protection and development efforts in less developed countries, has remained in the shadow of the economic activity in the framework of basic needs. There are cases of absence of environmental protection institutions, corrupt and inefficient bureaucracy, the legal weaknesses, slackness in the protection of property rights, bureaucrats and politicians that can not be held responsible, the absence of control mechanisms and the lack of high transaction costs. Foreign aids should have a nature of encouraging the break of this vicious cycle and changing and evolving the system<sup>49</sup>. Accordingly, it can be claimed that foreign aid and foreign investment made using technologies within the framework of the standards of developed countries improves the quality of the environment<sup>50</sup>.

Economic aid and investment of developed countries to less developed countries firms and investors should have positive impact both on the investing country as well as the country that the investment made. Because one of the major environmental problems that cause to the north-south strife is pollution export. It comes with foreign investment<sup>51</sup>. Therefore, in terms of international law and human rights and environmental protection using foreign investments in order to enhance economic development is an important problem. Solve equitable sharing, sustainable development, efficient use of resources and environmental sensitivity can contribute to balancing development-environmental compliance between the north and the south. In this context, international organizations such as UN, EU, EEA, WB, IMF, WTO, UNEP, UNDP, OECD, ISO, ILO, FAO and developed countries should play an important roles<sup>52</sup>. Since developed countries had a poor record in the past, they should leave acolonial mentality and assume environmental responsibility roles and least developed countries stop using this aid and investment out of environment agencies must develop behavior compliant with these roles<sup>53</sup>.

GEF established in 1990 with the participation of UNEP and UNDP under the

<sup>47</sup> Kaplan, a.g.e., s. 86-87.

<sup>48</sup> Kaplan, a.g.e., s. 154-155.

<sup>49</sup> Shirley, a.g.e., s. 47.

<sup>50</sup> O'Neill, a.g.e., s. 158.

<sup>51</sup> Mikoto Usui, (2004), "The Private Business Sector in Global Environmental Diplomacy", Ed. Kanie N. ve P.M. Haas, Emerging Forces in Environmental Governance, UN University Press, Tokyo, s. 217-218.

<sup>52</sup> Alexandre Kiss ve Dinah Shelton, (2007), "Guide To International Environmental Law", Martinus Nijhoff Publishers, Leiden, s. 152-154; Shyami F. Puvimanasinghe, (2007), "Foreign Investment, Human Rights and the Environment: Perspective From South Asia on The Role of Public International Law for Development", Matinus Nijhoff Publishers, Leiden, s. 141-159.

<sup>53</sup> Shirley, a.g.e., s. 52-62.



leadership of WB aims to improve the environment, protect biodiversity, and find solutions to global environmental problems such as pollution, climate change, ozone layer depletion. In this context, GEF has the missions of transferring harmless technologies, to implement environmentally friendly investment projects, technical and research missions in less developed countries<sup>54</sup>.

International organizations, developed countries and non-governmental organizations (*NGO*) support and assistance should have environmental protecting and improving features apart from the justice, equity imbalances relief and development supporting features and seek for environmentally sound development.

As a result the purpose of this assistance can be summarized as development international environmental cooperation via contribution to least developed countries<sup>57</sup> implementation of environmental policies, ensuring development compatible with the environment and protection of natural resources and environment, minimization gap between developed and least developed countries, as well as contribution to national and international efforts and works to protect environment<sup>55</sup>.

### **3. Conclusion**

Humankind conducted various economic activities in order to have a more comfortable life and get a greater share from resource sharing. These activities have increased even more with population growth and urbanization. Thus formed the center of economic life. However, negative effects of economic activities both on human and other environmental values have been observed. Thus, human pollution of the environment is clear in every period of history. The negative effects of problems on human and the quality of human life has been the basis of the environment protection thoughts.

People were forced to live in harmony with the environment and eco Situations nomy and life projections compatible with the environment appeared when arised situation became inextricable with the industrial revolution. In this context, a wide variety of economic and financial instruments for the purpose of environmental protection have been developed and are used. The effects of the tools, such as environmental taxes, subsidies, incentives and rewards, and international aid contributing to environmental protection policies and practices, on the environment have been a big dilemma for people. However, the pressure of economic and financial instruments producers and consumers and all society made them an important tool of environmental protection

In the mentioned context, financial instruments are used for environmental purposes. These instruments have clear contribution to utilization of resources in terms of their profitability and effectiveness. Additionally, subsidies, international supports

<sup>54</sup> Sands, a.g.e., s. 1032-1033.

<sup>55</sup> Kaplan, a.g.e., s. 155.

and foreign assistances started to be used since they have an effective results on elimination of unfairness internationally, ensuring social justice and protection of environment.

Producers and customers are always sensitive to economic and financial pressures. So decrease of production with higher taxes and costs are accompanied by the increase of production of subsidized goods. Additionally, awards and stimulations are considered quality, prestige and environmental sensitivity indicator for producers and consumers. International aids are intended to support policies on solving environmental injustice problems apart from being oriented to problem solving. As a result, these financial instruments have contributed effectively to the protection of environment and will continue to do so.

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