



**WINNING HEARTS & MINDS:  
PEI Africa Use of Economic Assessments for Poverty-  
Environment Mainstreaming**

**Technical Workshop on Tools & Measures to Inform  
Inclusive Green Economy Policies  
2-4 July 2013**

# **Economic Assessments**

**Very powerful in persuading development planning & finance & key sectors that:**

- **Poverty-environment linkages are substantive, have significant implications for achievement of development planning priorities**
- **Increased programmatic priority and budgetary allocations should be given to the achievement of more sustainable management of natural resources.**

**Very powerful political-economy tool also & key p-e issues are usually key political-economy issues at country level**

# The economic cost of unsustainable NR use

NR sector & source of cost – base case	Annual cost (2007 prices)		
	MK Million	US\$ Million	% of GDP
<b>Soils:</b>	<b>8,988</b>	<b>65</b>	<b>1.9%</b>
On-site impact on agriculture	7,540	54	1.6%
Off-site impact on hydropower	1,433	10	0.3%
Off-site drinking water treatment	15	0	0.0%
<b>Forests:</b>	<b>12,983</b>	<b>93</b>	<b>2.4%</b>
Unsustainable roundwood (excl fuelwood)	3,100	22	0.4%
Unsustainable fuelwood	6,089	44	1.2%
Flood prevention (indicative only)	232	2	0.2%
Indoor air pollution	3267	23	0.7%
<b>Outdoor air pollution - WB 2002</b>	<b>327</b>	<b>2</b>	<b>0.2%</b>
<b>Fisheries:</b>	<b>3,906</b>	<b>28</b>	<b>0.8%</b>
Unsustainable use (lower bound)	3,906	28	0.8%
<b>Wildlife:</b>	<b>665</b>	<b>5</b>	<b>0.1%</b>
Poaching loss (indicative only)	665	5	0.1%
<b>Total</b>	<b>26,573</b>	<b>191</b>	<b>5.3%</b>

# **Soil erosion: What does it mean for poverty in Malawi ?**

- **Very conservative estimates = soil erosion reduces agricultural yields by 6% per annum.**
- **CGE Modelling indicates that recovering six percent growth in agricultural yields during 2005-2015, would increase overall GDP growth from 3.2 to 4.8 percent per year.**
- **This would reduce the incidence of poverty from 47% to 34.5 percent by 2015 i.e. Resulting in an additional 1.88 million people being lifted above the poverty line by 2015**

# **Unsustainable NR Use: What does this mean for poverty reduction in Malawi?**

- **If the lost economic value from unsustainable resource use each year across all NR sectors (5.3% of GDP) is converted into economic growth, the impact on poverty reduction would be much larger**
- **Over the period 2004 - 2015, the proportion in poverty could be halved from its 1990 level - to 25.2 per cent i.e. that sustainable NR use could have enabled the MDG1 target to be reached**

# Approach

- **Whole-of-economy assessments useful but**
- **Focus on specific issues and sectors reflecting national development and environmental sustainability priorities. E.g. Agriculture and soil fertility decline**
- **Focus on both environmental externalities & natural resource use patterns & trends**
- **Generate country specific evidence that decision-makers can easily relate to.**
- **Use cost-benefit analysis to justify specific programmatic budget allocations by MoF & key ENR sectors**
- **TORs developed collaboratively - country ownership vital, development and use of economic evaluation in existing country processes and institutions critical.**

# Approach

- **Use combination of international expert and national institutions to help build capacity & national ownership**
- **Use existing studies (quite a few available and sitting on shelves) + new analysis.**
- **Field work for data collection often necessary**
- **Collaborative review of drafts via workshop**
- **Finalisation & approval by Government**
- **Strategy for using the assessments vital to generate impact**
  - **Substantive focus on summarising and communicating key messages according to audience**
  - **Policy briefs**
  - **Repeat key messages over and over again**
  - **Use evidence not just to persuade but to justify specific increased allocations by Government and donors - see Cost-benefit analysis below**

# Issues

- **In country capacity for economic assessments inadequate = economic assessments take too long. (Also because national institutions with appropriate capacity are overcommitted).**
- **But national ownership is important and it is important to increase national capacity, so we need to acknowledge this and provide more support from PEI Africa**
- **Data availability is a challenge - collection and analysis expensive and time consuming - especially of non-market and informal market data.**
- **Some studies have been a bit too theoretical**
- **Earlier studies weak on poverty impacts of unsustainable/sustainable use - more consistent focus on poverty needed.**

# Cost-benefit analysis

- **PEI Africa is now focusing on the use of targeted cost-benefit analysis to justify sector and programme specific increases in government and donor allocations for p-e investments.**
- **Directors of Budgets in Finance ministries and ENR sector level decision-makers are now requesting that PEI provide specific cost-benefit analysis to justify budget allocations.**

# SUMMARY

- **Economic assessments have proven to be the single most important technical & political-economy tool to promote p-e mainstreaming.**