



MAKING THE ECONOMIC CASE:

**A Primer on the Economic Arguments for Mainstreaming
Poverty-Environment Linkages into
National Development Planning**



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Preface

The UNDP-UNEP Poverty-Environment Initiative (PEI) is a joint programme to provide financial and technical support to countries to build capacity for mainstreaming poverty-environment linkages into national development planning processes, such as PRSP's and MDG Achievement Strategies. The programme is supported by the Governments of the UK, Denmark, Sweden, Norway, Spain, Ireland, Belgium and the European Commission.

A major element of the PEI country work is to assist in “making the case” for integrating environmental management into national development plans, budgets and implementation programmes – using the argument that better environmental management contributes to poverty reduction, pro-poor growth and government finances. This primer is designed to help our country teams and others engaged in the environmental mainstreaming challenge to succeed in “making the case”.

We are very grateful to Lucy Emerton of IUCN who has written this primer. Various members of the UNDP-UNEP PEI team have contributed to its preparation, especially Paul Steele of the regional PEI team for Asia and the Pacific, and thanks are due to them.

The primer is meant to be a working document and be tested at the country level, with a view of getting feedback from country practitioners and improving its content. Any comments or enquiries should be directed to:

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Introduction: how making an economic case can help

Although there is a growing body of evidence that the environment is one of the core building blocks for pro-poor economic growth, this message does not always seem to have reached economic and development planners. In all too many cases “environmental sustainability” goals are seen as being distinct from— and sometimes even as conflicting with— “development” goals. In the face of pressing needs for economic growth and poverty reduction, and given the scarcity of public funds, the environment tends to remain a low priority in public investment and policy formulation.

With few exceptions, environmental managers face a continuing problem in “selling” their sector to macroeconomic and sectoral decision-makers. Traditional conservation arguments have rarely proved sufficient to make a compelling case that environmental sustainability has an important bearing on pro-poor growth. Economic evidence however provides an extremely powerful (although traditionally under-utilised) tool for persuading economic and development decision-makers to acknowledge the contribution of the environment to pro-poor growth, to buy into policies which encourage its sustainable use and management, and to ensure that adequate resources are invested in environmental goals.

A key concern is to effect a shift from the view that environmental sustainability is a luxury that governments cannot afford, to one where it is seen as a necessity that they cannot afford not to invest in. This requires using lines of reasoning and argument which are based on the goals and outcomes that matter to macroeconomic and sectoral decision-makers, in terms that are familiar to them— such as effects on productivity, output, earnings, employment, public revenues and expenditures, the incidence of poverty and rate of economic growth.

Although the use of economic arguments represents a new approach for most environmental managers, it is becoming more widespread— and there are already indications of success. For example:

- In Cambodia, the Fisheries Department undertook research showing that their sector contributed 10 percent of Gross Domestic Product— a very high figure. This evidence was instrumental in persuading the Ministry of Finance to prioritise the fisheries sector in budget allocations, and in dialogues with overseas donors.¹
- In Algeria, presentation of data on the economic costs of environmental degradation to high-level political decision-makers led to new investments of around \$450 million being made in environmental protection.²
- In Namibia, an economic analysis of the benefits of wildlife tourism to the wider economy resulted in the Government increasing budget allocations to Protected Areas by just under a third.
- A new OECD review and analysis of economic arguments for the improved management of environment and natural resources in national development planning presents a number of examples of how the economic case has been made.³

This primer provides guidance on presenting evidence about the economic, development and poverty reduction benefits of the environment to public sector decision-makers, so as to justify and promote “environmental investment”. Environmental investment is taken to mean the effort, attention and material support accorded to environmental sustainability in public budgets, policies and planning. This includes ensuring that sufficient government funds are allocated to the agencies responsible for environmental management and conservation; that environmental goals are prioritised and incorporated into (and not undermined by) macroeconomic and sectoral policies and the instruments that are used to achieve them; and that economic and development projects and programmes factor environmental costs and benefits into their calculations, and do not impact negatively on the environment.

Summary of this document

Section 1 provides guidance on how to frame the economic argument for environmental mainstreaming. Section 2 presents examples of the ways in which the environment contributes to pro-poor growth, and gives guidance about the kinds of data that can be presented as evidence. Section 3 summarises the data requirements for making the economic case for environmental investment. Section 4 provides advice on accessing information about the economy and environment. Section 5 outlines strategies for packaging and communicating evidence in a form that is credible and convincing. Section 6 presents a glossary and lists key references on the links between the environment and pro-poor economic growth.

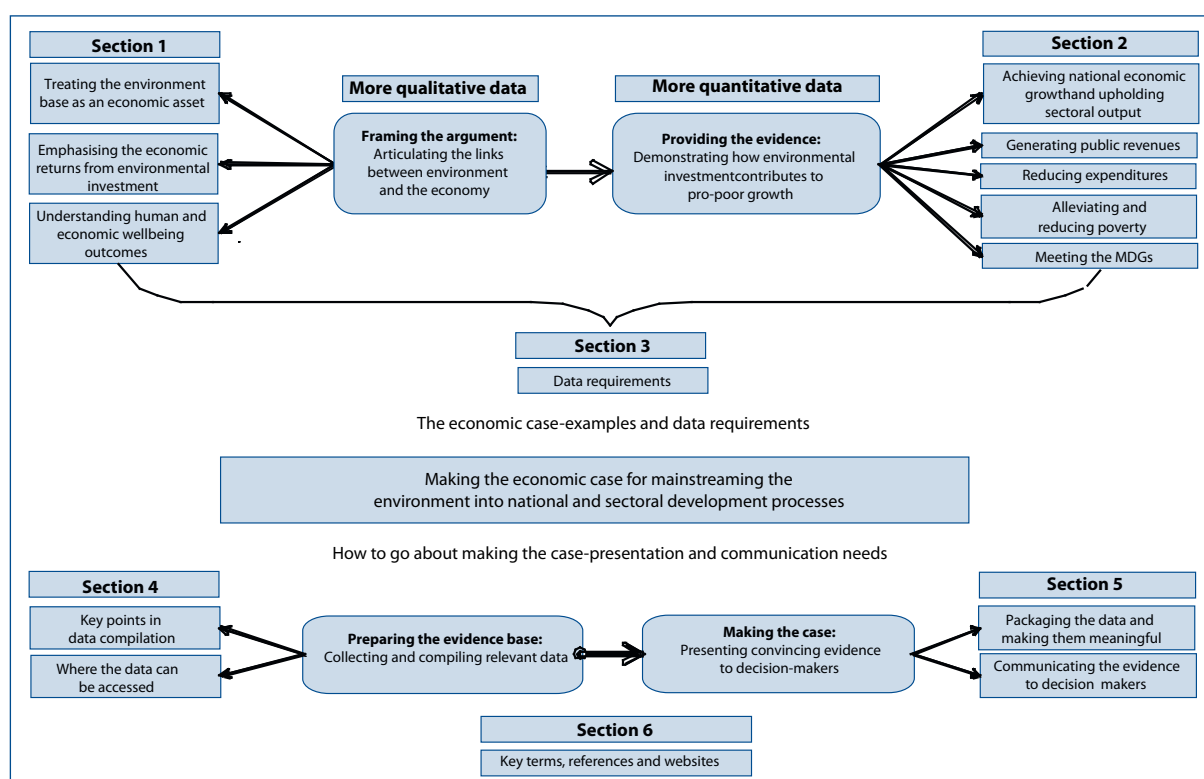
How the primer is laid out

The primer provides a resource to help PEI country staff and counterparts to make the case for mainstreaming the environment into national and sectoral development processes, make sure they have the evidence to back this up, and identify a series of entry points to engage the attention of economic and development decision-makers and to enter into meaningful dialogue with them.

It aims to equip the reader with the means to:

- identify and collect appropriate data about the links between the environment and pro-poor growth,
- present this in a usable and policy-relevant form,
- communicate it effectively during interactions with macroeconomic and sectoral decision-makers such as those in finance ministries, treasuries, sectoral line agencies and local authorities.

Figure 1: Content of the primer



The first part of the primer explains why an economic case exists for environmental mainstreaming:

- Section 1 covers the background thinking that is first of all necessary to frame the argument, focusing on presenting more qualitative economic information,
- Section 2 describes the kinds of evidence that can subsequently be provided to back these arguments up, focusing on presenting more quantitative data requirements for putting together the case for environmental investment.

Each of the key messages and major points in these two sections are illustrated with real-world case studies and examples.

- Section 3 summarises the data requirements for making the economic case for environmental investment, according to the different steps and sections specified in the first two sections of the primer,

The second part of the primer then provides guidance on how to go about making the case for environmental mainstreaming, in the course of interactions with economic and development decision-makers in a given country or sector:

- Section 4 summarises the steps and data needs in preparing the evidence base, and indicates where data might be accessed,
- Section 5 outlines the kinds of strategies that can be used to package and communicate evidence in a form that is credible and convincing to economic decision-makers.

The final part of the primer, Section 6, provides a glossary of economic terms and list of key references on the links between the environment and pro-poor economic growth.

This primer draws upon cooperation with and input from the OECD DAC/EPOC Task Team on Governance and Capacity Development for Natural Resources and Environmental Management and is complementary to their upcoming report which provides an overview of and guidance for different approaches for making the economic case entitled “Making the economic case – a review of approaches for improving the economic analysis of environment and natural resources in national development planning” for improved management of environment and natural resources in national development planning.⁴ This report is targeted at officials within ministries of planning/finance and environment as well as OECD members. This document will be available at www.oecdbookshop.org.

Framing the argument: articulating the links between environment and the economy

Summary

Before presenting evidence on the actual links between the environment and pro-poor growth it is necessary to ensure that the decision-maker you are talking to is clear about the linkages between environment and the economy.

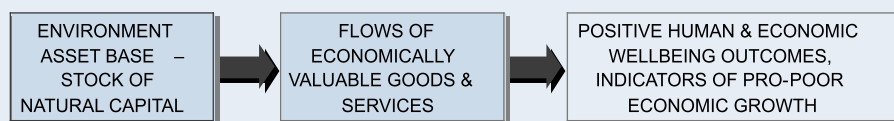
This in turn requires that you, as the person making the case for environmental investment, are well-briefed on how to understand and express the environment in economic terms— as a productive sector which can be managed to generate pro-poor economic growth. This background thinking enables you to frame the specific arguments and evidence which will later be presented to decision-makers about the need to mainstream the environment into economic development processes.

This section of the primer goes through this background thinking:

- Treating the environment base as an economic asset: environmental resources should be seen as productive natural capital, where there are trade-offs between investing in sustaining this natural capital and converting it to other uses.
- Emphasising the economic returns from environmental investment: the sustainable management of environmental assets generates a flow of economically valuable goods and services.
- Understanding human and economic wellbeing outcomes: environmental goods and services make a key contribution to the indicators that are used to measure progress towards economic growth, development and poverty reduction.

In summary, we are posing the environment base as an asset— a stock of natural capital, which yields a flow of economically valuable goods and services— the return on environmental investment, which in turn contribute towards positive economic and human wellbeing outcomes— the measures and indicators which are used to judge progress towards economic growth and poverty reduction. These linkages are illustrated in Figure 2.

Figure 2: Environmental economic assets, flows and outcomes



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