



**UNDP/UNEP**  
**Poverty and Environment Initiative**

**Africa Regional Economic Forum,  
8-11 November 2010:  
Final Report**



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## Executive Summary

1. The UNDP-UNEP Poverty and Environment Initiative (PEI) conducted a Regional Economic Forum, 8-11 November 2010 at the United Nations Gigiri. The forum, attended by 70 representatives from Botswana, Burkina Faso, Liberia, Malawi, Mali, Mauritania, Mozambique, Kenya, Rwanda, Tanzania, and Uganda with participation from UNEP and UNDP regional offices from Asia, Eastern Europe & Africa, was used to discuss and consolidate lessons learned from country experiences in the application of economic assessments and methodologies and develop a consistent approach to the application of economic assessments and methodologies as part of PEI country programs in the African region.
2. The meeting had the following objectives: (i) to review PEI country experience and lessons learned in relation to economic assessments/valuation of environment and natural resources; Budget guidelines and public expenditure reviews on environment expenditures; and environmental fiscal reform (promoting the use of economic instruments for sustainable utilization of environment and natural resources); (ii) To determine harmonized approaches and methodologies based on best practice; and (iii) To explore partnership opportunities with national, regional and global institutions.
3. At the end of the four days deliberations, the meeting arrived at the following conclusions:
  - a) **Overall Importance of Economic Tools & Approaches:** Economic tools and approaches are an important instrument for integrating poverty and environment linkages into national and sub-national development planning and implementing processes, including budgets.
  - b) **Economic Analysis has generated solid evidence of links between Environmental Sustainability and Poverty Reduction:** Country examples demonstrated how economic analyses have provided substantive evidence of how environmentally sustainable natural resource management is important for achieving sustainable economic growth, poverty reduction and generally improving livelihoods.
  - c) **Economic evidence convinces development decision-makers:** Economic evidence is key to convincing key decision-makers that environmental sustainability should be a higher development priority. The forum received evidence of increased use by policy makers of the results from PEI economic assessments to justify mainstreaming poverty and environment linkages into development planning processes and budgets.
  - d) **Investment in environmental sustainability is low:** This was demonstrated from Public Environment Expenditure Reviews (PEER), and reviews of Economic Instruments for sustainable environment use and poverty reduction. Despite this, however, there is increasing appreciation of the importance of investment in environmental sustainability for the achievement of key development objectives, including food security and poverty reduction. More support, therefore, needs to be provided to strengthen the integration of environmental sustainability into national budget processes.

- e) **Public environment expenditure review (PEER) promotes investment:** PEERs have enabled countries to promote political momentum for internal and external resource mobilization for investing in environmentally sustainable natural resource use and enhanced advocacy for sustainable financing.
- f) **Environmental Fiscal Reform Studies including reviews of economic instruments highlight sustainable financing options:** Studies have demonstrated diversified options for sustainable financing for environmentally sustainable natural resource management and poverty reduction.
- g) **Challenges in the application of economic tools remain:** The challenges identified include:
- Lack of guidance on the application of standardized methodologies across PEI countries,
  - Non-availability of reliable data,
  - Lack of adequate local expertise to apply the economic tools,
  - Ensuring adequate involvement of stakeholders,
  - Limited funding, especially local funding for economic analysis, and
  - Mixed levels of political support for economic instruments.
4. Based on the deliberations and flowing from the conclusions above, the following broad recommendations were made:
- a) **Improve guidance for application of economic assessments, tools and methodologies for poverty and environment mainstreaming:** Recommendations under this heading include need for PEI to focus on how environmentally sustainable natural resource use can help achieve development objectives, including poverty reduction; PEI, borrowing from best practice, should develop guidance on standardized methodology, tools and approaches for undertaking the economic assessments and valuation to ensure uniformity, comparability and enhance reliability, accuracy and utility of findings; and ensure a focus on increased funding for environmental sustainability across sectors .
- b) **Develop national capacity to apply economic tools and use evidence in national decision making processes:** This requires increased training and capacity building through partnerships between PEI countries and local and international universities and research institutions; technical support by PEI on use of tools and approaches; enhance multi-stakeholder involvement and participation; identify champions within ministries and other departments in the country so as to increase effectiveness of mainstreaming efforts; institutionalize PEER; and diversify and increase funding for PEI work within countries.
- c) **Improve knowledge management and dissemination of lessons learned at national, regional and global levels-** through documenting and sharing best practice experience with the application and impact of use of economic tools; developing and implementing clear communication strategies; and systematic monitoring and evaluation and sharing lessons learned from monitoring the performance of PEI activities in PEI countries so as to enhance the impact of PEI work..

## I: Introduction

5. The Africa Regional Economic Forum of the Poverty and Environment Initiative (PEI) was held at the UN Complex in Nairobi, from 8<sup>th</sup> to 11<sup>th</sup> November 2010 under the theme of **Enhancing Use of Economic Methodologies in Mainstreaming Poverty and Environment Issues in Decision Making**. The meeting sought to review, share experiences and learn lessons from application of economic instruments and methodologies (economic assessments/valuation of environment and natural resources; budget guidelines; public expenditure reviews; and environmental fiscal reform) from 10 PEI country programmes in Africa. Further, the meeting aimed at determining harmonized approaches and methodologies based on best practice and exploring partnership opportunities with national, regional and international institutions.
6. The meeting drew seventy participants from Botswana, Burkina Faso, Liberia, Malawi, Mali, Mauritania, Mozambique, Kenya, Rwanda, Tanzania and Uganda, with participation from UNEP and UNDP regional offices from Africa, Asia and Eastern Europe. Selected research institutions and Universities in Africa and Asia were also represented. **A full list of participants at the meeting is attached to this report as Annex 2.**
7. The present report contains a detailed summary of the discussions that took place and the outcomes from the meeting. Detailed presentations by the country teams, resource persons, group reports and facilitators' daily summaries were distributed to participants and are available from the PEI website ([www.unpei.org](http://www.unpei.org)).

## II: Structure of Forum

8. The meeting was organized around four days of country, institutional and UN presentations, group work and plenary discussions. Every day had its own objective/theme, as follows:
  - I. **Day One:** Overview from PEI, UNDP, UNEP and Regional Institutions on application of economic assessments/methodologies for poverty and environment mainstreaming;
  - II. **Day Two:** Lessons learned and recommendations for future PEI application of economic assessments and valuation of environment and natural resources
  - III. **Day Three:** Lessons learned and recommendations for future PEI application of budget guidelines and public expenditure reviews of environmental expenditure
  - IV. **Day Four:** Lessons learned and recommendations for future PEI application of economic instruments for promoting sustainable natural resource use and poverty reduction, and environmental fiscal reform.
9. The meeting was officially opened by Mr. Mounkaila Goumandakoye, the Regional Director of UNEP Regional Office for Africa (ROA) and closed by Mr. David Smith, Manager of UNDP-UNEP PEI Africa. This report follows the structure of the meeting agenda and deliberations. **The Agenda is attached to this report as Annex 1.**

### III: Monday, 8th November, 2010: Overview and Comparative Experience on Application of Economic Assessments and Methodologies for Poverty and Environment Mainstreaming

#### Box 1: Emerging Lessons on application of economic tools for poverty and environment mainstreaming

The following emerging issues regarding application of economic assessments and methodologies for national poverty and environment mainstreaming were identified:

- Data:** It is necessary to pay particular attention to methodological approaches used in data collection with a view to improving standardization, accuracy and reliability of data collected;
- Capacity:** Capacity building and sensitizing policymakers and technocrats is important so as to enable countries undertake economic analysis and research. This will also improve debate on fiscal reform;
- Funding:** A common problem in many countries is an over-reliance on donor funds; as well as the fact that money collected by central government for environmental purposes is not always ploughed back into the environment;
- Stakeholders:** Multi-stakeholder involvement in the research and data assessment process is important as a means of improving capacity and reducing gaps between research findings and policy implementation and impacts. Also important are the regional communities of practice in supporting documentation and sharing of lessons, dissemination of policy research, practical experience and other knowledge resources;
- Policy linkages:** It is important to consider the linkages to policy processes concerning budgeting and integration of environment into economic planning processes nationally and sub-nationally when undertaking economic assessments;
- Mainstreaming:** It is necessary to consider how to effect poverty and environment mainstreaming through advocacy with the decision-makers, and how PEI work can be linked with activities being undertaken in other UNEP led initiatives such as the Sustainable Consumption and Production (SCP) and Green Economic Initiative (GEI), and in partnerships with the private sector.

#### A: Opening Session

10. The meeting was opened at 9 a.m. on Monday, 8 November 2010, by Mounkaila Goumandakoye, Regional Director of UNEP ROA.
11. In his opening address, Mr Mounkaila welcomed the participants. He noted that the meeting would allow participants to take stock of PEI work in Africa and share experiences with a view to enhancing the impacts of future PEI work. He underscored the fact that while environmental goods and services contribute to poverty eradication, there is need to supply the evidence of this contribution, demonstrating importance of PEI's work. He noted that PEI would help frame the arguments to demonstrate and present the evidence for economic returns of investing in the environment. He also noted that the vast majority of Africans depended directly on the environment and natural resources for their livelihoods and wellbeing. Additionally, environmental sustainability can have a significant effect on economic development, and is

necessary to achieve the Millennium Development Goals (MDGs). Towards this end, it was necessary to develop innovative financing options, particularly as they relate to addressing the social, economic and environmental impacts of climate change in Africa.

12. Mr. David Smith, Manager of Poverty and Environment Initiative (PEI) Africa, briefly outlined the agenda of the meeting, pointing out that the first day would highlight experiences and lessons learnt from the application of economic assessments and methodologies in PEI Programme countries as well as leading research and academic institutions in the region. The following three days would each focus on a separate theme—economic assessments and valuations of environment and natural resources; public expenditure reviews and budget guidelines; and environmental fiscal reforms.

### **(i) PEI History & Objectives**

13. In his introductory statement, Mr. David Smith also highlighted the history and objectives of PEI. He pointed out that PEI as a joint UNDP/UNEP programme was launched in seven countries in Africa in 2005 and based on review and lessons learnt, scaled up in 2007 by extending it to other regions and introducing three other countries in Africa into the programme. The programme builds capacity of, and supports, governments to include pro-poor environmentally sustainable natural resource use as a core objective in development planning and implementation. He underscored the fact that based on the experience that PEI had gathered through its work, the forum was intended to assist participants to assess, learn and improve on activities intended to enhance impacts of investments in pro-poor environmentally sustainable natural resource use.

### **(ii) Overview of PEI Africa Results**

14. Ms Angela Lusigi, from PEI Africa Initiative, briefly outlined results from the application of economic tools and methodologies used for assessing the mainstreaming of poverty and environment into development processes in Africa, both during the PEI Africa Pilot Phase: 2005 – 2008, as well as the expansion phase of 2009 – 2011. She pointed out that during the pilot phase, the programme applied the tool of integrated ecosystem assessments complemented by economic assessments and public expenditure reviews. During the scale-up phase more countries are applying a range of economic tools to build the case for poverty and environment mainstreaming including economic assessments and valuations; public environmental expenditure reviews; budget guidelines; and economic instruments and environmental fiscal reform.
15. In terms of progress, Angela outlined that the programme had been able to undertake economic assessments and valuation of contribution of environment and natural resources to growth and poverty reduction in nine countries, public environment expenditure reviews in seven countries, review of budget guidelines in three countries, review of economic instruments and environmental fiscal reform in four countries. She ended her presentation by highlighting that support to budgets and environmental fiscal reform represented a key area for planned PEI work in 2011 and would contribute to the long term sustainability of mainstreaming environmental issues in national development planning processes.

## **B: Experience from PEI in Asia, UNEP Green Economy and Sustainable and Production Unit of UNEP**

### **(i) PEI Asia Presentation**

16. Ms. Seon Mi Choi, from UNEP Regional Office for Asia and Pacific (ROAP), gave a presentation on the experiences emerging from economic assessments in PEI countries in Asia. Ms. Choi's presentation was based on seven PEI countries in Asia (Bangladesh, Bhutan, Lao PDR, Nepal, Philippines, Thailand and Timor-Leste). She highlighted a number of environment related problems that affect the poor in the respective PEI countries, as well as the expected PEI outcomes to address those challenges. She shared experiences based on analysis of public environment expenditure in Bhutan; economic valuation of ecosystem services with a focus on land use in Lao PDR; economic analysis of local government investments in rural roads in Nepal; and valuation of ecosystem services for human well-being in Thailand.
17. Ms Choi noted that in Lao PDR the economic valuation of ecosystems services covered both environment and social impact of investments in timber and land use change to agriculture, rubber, forestry and reviewed the costs and benefits of the different land use options. The study was carried out by national experts groups using an extended cost benefit framework. It took one year to launch the study through a highly consultative process that is embedded in a national research institution which coordinates sector ministries. In Nepal, the presentation of the results of the economic analysis drew a positive response from donor groups and key sectors. The sub global assessment of ecosystem services in Thailand included economic analysis as part of the assessment.

### **(ii) UNEP Sustainable Consumption and Production**

18. Mr. Luc Reuter, UNEP Sustainable Consumption and Production, made a presentation on Sustainable Consumption and Production, PEI and Green Economy linkages. In his presentation, Mr. Luc Reuter noted that sustainable consumption and production (SCP) was about consuming differently, but not about consuming less and focuses on promoting and facilitating the extraction, processing and consumption of natural resources in a more environmentally sustainable way over the whole life cycle.
19. He highlighted the efforts taken to mainstream SCP, given its vital contribution to countries' sustainable development and discussed important elements towards mainstreaming SCP into development planning, including useful tools for government and business. Examples of SCP tools used to support mainstreaming include planning for change; mainstreaming SCP & RE in development planning; SCP indicators for developing countries; towards triple impact; capacity building and awareness raising workshops. He observed that there were several important poverty-environment linkages, and that PEI work could provide improved understandings of how sustainability can help achieve development goals, by supplying economic analysis and information. Luc stressed the fruitful collaboration between PEI and SCP in Burkina Faso and Mali.

### (iii) UNEP Green Economy Initiative

20. Mr. Moustapha Kamal Gueye, The acting head of UNEP Green Economy Advisory Services Unit, provided a detailed overview of the UNEP Green Economy Initiative (GEI). He termed the global environmental and economic context as inter-related and observed that the current pattern of economic development needs to be questioned. He traced the evolution of GEI to the financial and economic crisis that engulfed the world from 2007. Responding to that crisis brought to the fore the reality that the crisis was an environmental one too. He noted that natural capital is essential to wealth creation and that it was necessary to find ways of capturing social and natural capital in development. Further that development patterns needed to be evaluated to ensure that the world adopts patterns that result in sustainability.
21. In response to the economic recovery efforts, UNEP launched the global Green new deal as an opportunity to revive the world economy, create new and decent jobs, and protect the vulnerable. Mr. Gueye underscored the importance of establishing a green economy. For Africa, the focus for Green Economy is on enhancing stock of natural capital, enhancing wealth especially in the agricultural sector through sustainable production expansion. For example, organic production provides opportunities for a 79% to 180% increase in production that translates into higher revenue for African farmers from expanding markets abroad. In highlighting steps taken to foster a green economy in Africa, he drew practical illustrations from Uganda's Organic Agriculture Transformation, as well as ongoing efforts towards greening Africa's industrialization. Unlike more industrialised countries, in Africa the link between growth in GDP and improved environment performance is considered weak.
22. He made reference to policy interventions to be taken to support increased investments in clean energy, as well as facilitating the transition to a green economy in several countries in Africa, East Asia; Europe; Latin America and Caribbean; as well as West Asia. On linkages with PEI he outlined opportunities for collaboration through ongoing green economy activities including: (i) Green economy coalition that includes grassroots organizations; (ii) the Green Economy Report – to be launched at the UNEP Governing Council; (iii) Report on Ecosystems and Biodiversity; (iv) Green Economy Summit; (v) development of Green Economy Indicators with OECD; (vi) Green Economy Advisory Services that offer governments in Burkina, Egypt, Ghana, Kenya, Rwanda, Senegal, and South Africa an assessment of what GE can deliver. Advisory services include Green Economy Scoping Studies, Green Sector Studies, mainly in agriculture, to determine investment requirements for delivering growth and employment plus environmental benefits; Green Jobs; Enabling policies; and Multi stakeholder engagement.
23. The plenary discussions after these presentations highlighted the following issues:
  - The **difficulty in defining environment expenditures by various sectors** (both natural resource based and key growth sectors) and the problem of obtaining access to good quality data for credible study results. There may be a need to allocate more PEI funds to data collection;
  - There seems to be **less priority by governments to provide public funding** for the environment sector leaving the bulk of the funding to come from donors;
  - The experience of Lao PDR in seeking to **include environmental sustainability considerations as part of the investment approval processes for all Foreign Direct investment** is worth replicating;

- **Fees** paid by investors for social and environmental aspects and collected by Ministries of Finance should trickle back to the ministry and departments responsible for environmental sustainability; and
- **Public-private partnership** is a prerequisite for sustainable success in the implementation of policies for green economy and sustainable consumption and production.

### **C: Experience from Regional Research and Academic Institutions**

24. The session presented experiences from regional research and academic institutions in application of economic tools for environment and natural resource management. It highlighted presentations from academic and research institutions from Egypt, Burkina Faso and Indonesia.

#### **(i) University Senghor, Institut of Energy and Environment of Francophonie, Alexandria, Egypt**

25. Dr. Martin Yelkouni of the University of Sengor made a presentation of the work that University of Senghor had undertaken in Tiogo Forest in Burkina Faso. The research based on the University's conceptual model on property rights and transaction costs sought to analyse the transaction costs and their internalization in the process of improving the management of a forest which was originally managed using traditional management systems. The presentation dwelt on the methodology for determining the total economic value of and highlighted methodological challenges arising in respect of negotiating access and benefit sharing of common-pool resources. He was of the view that there existed scope for collaboration between Senghor and PEI in the area of capacity building for national experts and possibility to involve Senghor students as interns in the PEI country program.

#### **(ii) Le Centre d'Etudes, de Documentation et de Recherche économiques et sociales (CEDRES), Burkina Faso**

26. Mr. Damien Lankaonde from CEDRES, Burkina Faso, shared the experience of their research centre in assessing the contribution of the environment to the Gross Domestic Product (GDP) of Burkina Faso. The formula they used is called the Eco-env approach and seeks to demonstrate how the environment can be used for poverty alleviation and calculates the contributions of the environment to the economy including the costs of damage to the environment and remediation costs. He also discussed the application of a tax and its impact on environmental policy. He highlighted several challenges in the assessment process, including sufficiency of data used, methods of data collection, the robustness of the methodological approach used, limited financial resources, and limited capacity of the relevant technical and political institutions to interpret and apply the data.

### (iii) Center for International Forestry Research (CIFOR), Indonesia

27. In his presentation, Mr. Ronnie Babigurama from CIFOR, Indonesia, highlighted the contribution of forests to rural livelihoods. Focusing on the Poverty and Environment Network (PEN), an international network and research project on poverty, environment and forest resources, he shared experiences on efforts taken to fill the gap in knowledge through the systematic collection of uniform socio-economic data using resource persons in universities and research institutes from all continents based on comparable definitions, questionnaires and methods. He observed that the design and implementation of natural resource and poverty-related policies and projects can be enhanced through systematic collection of socio-economic data in a variety of tropical ecosystems, using similar data definitions and methodologies. He noted that the key outcomes from the project included capacity building and improved and publicly available methodologies and tools for global-comparative analysis and thematic in-depth studies. He advised that the process is long, resource intensive and time consuming. He stressed the importance of ongoing work and data availability for any further collaboration in PEI Africa Countries.

28. The discussions after the presentations highlighted the following issues:

- **Decentralization** has both positive and negative aspects. If well coordinated and a country has the means, it has positive outcomes but if done without empowering the people to participate in the management, it will not achieve the desired results.
- **Economic analysis** is useful in sensitizing communities on environmental issues as it enables the message to be driven home more clearly to the populace and policy makers.
- **Involvement of relevant government officers** is imperative for success and utility of the research. Role of decision-makers in research also requires to be clarified
- The **over-reliance on donor funding** by research institutions was decried. It was suggested that African Governments should budget for research and partner with private research institutions, including giving them financial support.
- The challenge of ensuring **consistent methodology, accurate data and comparable findings** on environmental contributions to the economy. There is mistrust of people when faced with new results leading to their questioning the methodology and validity of data in economic analysis. For example contributions of environment to GDP, is the methodology for valuing ecosystems services similar to the standard method of calculating GDP? While valuation of environment takes into account real and potential contribution, the calculation of GDP is based on real issues. How do you address this methodological challenge?
- Need to be cautious with findings and admit limits of research and their results due to **significant data challenges** that may prevent comparability across countries.

## IV: Tuesday 9 November 2010: Economic Assessments and Valuation of Environment and Natural Resources

### Box 2: Emerging Lessons from Economic Assessments, Valuation of Environment and Natural Resources

The following issues emerged from the discussions on PEI experience with Economic assessments and valuation of environment and natural resources:

- **Data:** There is general lack of baseline data on the linkages between poverty and environment. Other data problems are quality and representativeness of the samples.
- **Methodological challenges** include lack of standard methodology and tools across PEI countries. PEI should borrow from best practices and develop uniform standards and approaches. Studies should capture not just macro-level assessment and results but also at meso and micro-levels and use both quantitative and qualitative approaches. Agreement on methodology and accuracy of data collected is essential for economic assessments. For this reason, there should also be agreement on acceptable margin of error; and clear indicators of sustainability for purposes of monitoring and follow up;
- **Technical skills:** Studies and analysis require technical skills and expertise that is not always readily available. Support to local research institutions through technical expertise and methodology training and linkage with international research institutions and universities is, therefore critical. There is a need to undertake capacity building for stakeholders to ensure competence in carrying out, understanding and applying the results of the study;
- **Stakeholder involvement:** Involvement of stakeholders from the start of the process, even before commencing the study, is essential for success. Expand stakeholders to include business, civil society, SMEs, research institutions, institutes of statistics. Also involve regional and international bodies;
- **Integration of findings in policy processes:** There is still a gap in the use of study results in policy processes and the use of economic instruments to enhance environmental management. Although some countries provided useful examples of integration of the PEI findings into policy processes that can serve as best practices, these still need to be better documented and shared. All studies should include a clear communication strategy to enable the sharing of the process and results to increase their understanding within the country and incorporation into policies. In addition, results from the studies should be synthesized into easy to read briefs for policy makers;
- **Advocacy:** PEI needs to advocate for wide acceptance of a new approach to calculating national GDP that takes into account environmental resources and services. There is need to undertake regional and international advocacy by PEI to ensure that the standard international environmental accounting and valuation methods become acceptable to national accounting systems;
- **In carrying out the studies, choice of case studies to demonstrate impact is critical.** Choose those where the role of the environment and the effect of degradation on growth and poverty reduction is evident for all in society;
- **Partnerships:** PEI can and will benefit immensely from partnerships with other UN and research institutions that have developed tools for economic assessments and valuation of environment and natural resources and also opportunity for capacity building. Synergies also important for influencing policy and enhancing impact e.g. the United Nations Department of Economic and Social Affairs (UNDESA). **Financing:** Research requires a lot of financing. There is need to mobilize substantial resources from domestic and external resources to support the processes.

## **A: Presentations from Kenya, Burkina Faso, Mali and Mauritania**

29. The second day of the forum dealt with evaluation of the lessons learned and recommendations for future PEI application of **Economic Assessments and Valuation of Environment and Natural Resources**. The first session featured PEI Country Presentations from Kenya, Burkina Faso, Mali and Mauritania.

### **(i) PEI Kenya**

30. In his presentation, Mr. Samson Wasao, the National Program Manager for PEI Kenya, highlighted PEI country experiences in using tools for economic assessments. He noted that an overall objective of PEI Kenya was to mainstream environmental concerns into policy-making, planning and budgeting processes at national and sub-national levels for poverty reduction and realization of sustainable development. Among the key outputs were the development of tools for integration of environment and strengthening stakeholder participation through several key institutions: Ministry of Planning National Development and Vision 2030; Ministry of Environment and Mineral Resources, Ministry of Forestry and Wildlife, Ministry of Finance, the National Environmental Management Authority, Provincial Environmental Committees, and District Development Officers.

31. He observed that an economic assessment study undertaken by a local consultancy company in 2007 highlighted that environmental and natural resources make key economic contributions to both national economy and livelihoods. Despite that, the trend of decreasing public allocation to the environment sector raises concerns on public investments aimed at safeguarding natural resources and environmental services. He pointed out that the study was too generic and lacked good economic argument on the linkages between and across sectors and was therefore discontinued midstream. The study did not have a policy impact due to failure to document critical linkages between economic growth, poverty and environment and to communicate the same to policy makers. In his view, lessons from the Kenya experience included the fact that economic tools for environment and natural resources are complex and requires technical skills and capacity, which was not readily available. Secondly, that successful economic assessment required partnerships between national experts and external experts as well as a capacity development component. He ended by stating that the newly adopted constitution that enshrines the rights to a clean and health environment provided greater space for exploring poverty and environment linkages.

### **(ii) PEI Burkina Faso**

32. In his presentation, Mr. Rasmene Ouedraogo, the PEI National Coordinator in Burkina Faso highlighted the specific of PEI work in his country in mainstreaming pro-poor environmental investments into the government policy framework. Among the key achievements were the launch, on 23 August 2010, of the study on economic valuation of environment and natural resources in Burkina Faso', which was a preliminary study of poverty-environment linkages. Other achievements included development of sectoral policies on environment, regional workshops, UNDP human development report on environment and sustainable development, PEI communication strategy and several partnerships. Among the lessons learnt was the need to involve all stakeholders, and to ensure transparency in communication and development of a

standard methodology. Among the constraints he highlighted were inadequate/insufficient data. He urged for the strengthening of capacities of various actors, involvement of all stakeholders from the beginning of the process and the necessity to demonstrate the contribution of the environment and the cost of degradation and inaction. In their case, there was great participation in the process, involvement of stakeholders at all levels and effective and consistent communication

### **(iii) PEI Mali**

33. The presentation from Mali highlighted the work that PEI had done in the country from 2006 when it was launched. Mali was in the process of developing a new poverty reduction strategy paper (PRSP) and the PEI study would make a useful contribution to the process. As part of the study process, a validation meeting to discuss methodology had been held which elicited a lot of discussions. The study had focused on land, agriculture, forestry, waste management, air and energy. The study had shown that political and economic choices were causing environmental damage, so it was also important to sensitize politicians and decision-makers on the importance of mainstreaming environment in development and budgeting. In addition communication, awareness creation and monitoring were essential elements in successful mainstreaming efforts. Among the challenges highlighted were the lack of data and stakeholder participation. The experience from Mali proposed as lessons, the importance of involving ministries of finance and planning through workshops, more involvement of universities and civil society in the use of economic tools and their implementation. Additionally, the presenter called for the use of meso-economic analysis to specify priorities for environmental actions at the most polluting sectors, as well as the development of new economic tools such as those on environmental accounting and environmental tax reform.

### **(iv) PEI Mauritania**

34. The final presentation of this session focused on the experience of Mauritania. In his presentation, Mr. Abdelkader El Saleck, PEI national coordinator noted that continued widespread degradation of environment and natural resources was very expensive to Mauritania. However, the lack of data on poverty-environment linkages greatly complicated the decision-making process, particularly when assessing the benefits of key sectors of the economy such as oil and gas mining and, to a lesser degree, fisheries, to the poor. This made poverty, environment linkage difficult. Against this background PEI sought to find out how management of the environment was undertaken in Mauritania from 2008 to 2009, and the cost of environmental degradation to the economy. In addition the study sought to determine the cost of taking corrective action.
35. Following an overview on studies on valuation of a number of services and products from several wetlands in Mauritania, the presenter made a number of recommendations, including the necessity for increasing government budgetary allocations for the environment, enhance the valuation process in economic policy taking greater account of climate change, and launch a comprehensive national assessment of natural capital of Mauritania to better assess future policies for sustainable development. Other recommendations included the need to implement monitoring systems, improve governance through technical and legal means, enhance multi-

stakeholder participation for instance in reviewing methodology, capacity building particularly with the Ministries of Finance and Planning in order to enhance decision-making, and the necessity of linking programmes to UNDP support in order to ensure access to resources.

36. In discussions following the presentations, the following issues were highlighted:

- a) **The importance of communication strategies** in capacity-building efforts and in advocacy efforts intended to convey information about the policy implications resulting from economics assessments to decision makers in key ministries such as the Ministry of Finance;
- b) Methodological approaches used in environmental and economic assessments can be strengthened by the **involvement of key local stakeholders**, who should include the private sector and civil society;
- a) **Importance of policies and studies targeted at all levels**, namely macro, meso and local levels. These can be enhanced by creating synergies with different ministries (inter-ministerial processes), as well as with existing initiatives, such as Green Economic Initiative;
- b) It is important to **identify and seek out champions of PEI work** within the various ministries, who will assist in framing the argument and making the economic case for pro-poor environmental investments within and beyond government;
- a) **Research findings should be synthesized** into brief reports since decision-makers may not have much time
- c) **Achieving impact is an ongoing process**. Once the economic and environmental assessments are undertaken, this requires uptake and continuous engagement at national level with governments; and
- d) It is important to **institutionalize economic valuation and assessments**.

## B: Presentations from Malawi, Tanzania and Rwanda

### (i) PEI Malawi

37. The Malawi presentation, made by Mr. John Mlava and Mr. Michael Mmangisa, highlighted efforts made to include environmental sustainability as a core objective in national development planning in the country. The presentation observed that a draft economic study had sought to provide evidence on the costs and benefits of natural resource management, and highlighted case studies in three catchment areas. It had been presented to and approved by the PEI Technical Committee and subsequently presented to a national consultative workshop. Although it was yet to be presented to the Steering Committee for vetting, the report had already been used in drafting the socioeconomic chapter for the Environmental Outlook Report. Additionally, the draft report had already generated a lot of debate in the media as it showed that the contribution of environment to national GDP was understated, and that Malawi was losing \$191m (5.3%) of GDP annually due to environmental degradation. Among the challenges and lessons-learnt highlighted were that the consultative process requires heavy investment and patience: the study was intended to last 6 months, but had so far taken 1 1/2 years and was as yet incomplete. Additionally; there is great interest to mobilize evidence on the cost of unsustainable use of

natural resources in Malawi in order to convince decision makers to invest in environmental resources.

## **(ii) PEI Tanzania**

38. Mr. Aloys Hepelwa, from the University of Dar es Salaam, presented Tanzania's experience in the economic valuation of a key wetland resource. He noted that, in Tanzania, many wetlands have been lost, degraded or are in the danger of being lost/degraded as a result of increasing demands for land and water. Citing the ongoing study based on Ihefu wetlands in Mbarali district, Mbeya region, he noted that an understanding of the socioeconomic value of wetlands is crucial when deciding on conservation and development priorities related to land use and the allocation of scarce water resource at various levels: household, village, district and national. Preliminary findings indicated that while household economy is totally dependent on agriculture, livestock, natural resource harvesting and business, the household economic situation has deteriorated in the past five years. The change in the economic situation has been attributed to conversion of the Ihefu wetlands into a national park. This conversion denied households access to economic activities as a result of the wetland. The study calculated the total economic value of Ihefu wetlands. Among the key lessons learnt was that achieving a balance or win-win situation between development and conservation goals required joint consultation between local communities and the government and introduction of co-management of key environment and natural resources.

## **(iii) PEI Rwanda**

39. In his presentation on Rwanda, Mr. Alex Mulisa highlighted key achievements in relation to the economic valuation of environmental and natural resources. He noted that environment and natural resources have significant and measurable contribution to house hold incomes, economic growth and poverty reduction in Rwanda. He cited results from two case studies, namely Gishwati forest and Rugezi wetland. He observed that deforestation of Gishwati had resulted in natural disasters such as floods and decline in agricultural productivity. Additionally, degradation of Rugezi led to decline in hydropower production and the purchase of generators to supply deficit power requirements. At \$65,000 per day, this was a costly option. He noted that the results from the Rugezi wetland have generated interest from policy makers at national and international levels, and had generated support for large ecosystem rehabilitation with Rugezi and Gishwati as areas of particular focus. He pointed out that the PEI work had led to advocacy engagement with the country's parliament. The work had also resulted in Rwanda receiving the Green Globe Award for successful rehabilitation of the Rugezi wetland, 2010, it was a feature film at the Copenhagen climate Change conference in 2009 and has also been successfully cited by the country's president in international forums. Among the key lessons-learnt was that highlighting the visibility of problems could generate interest from policy-makers. Additionally, they would help show tangible effects of PEI work. Further that application of economic tools and methodologies facilitates information that is critical for decision making and policy advocacy at the national and local levels.

40. In the discussion which followed, the following issues were highlighted:

- (a) **Importance of securing high-level commitment:** The experience from Rwanda where the Presidency and all bodies of government are sensitized and all other sectors, including media and private sector engaged is critical for success. In addition frequent interaction between local administration and local people enhances success.
- (b) **Research Methodology:** For lasting impact among policy-makers it is important to calculate economic contribution of environment to the country's GDP using a standard methodology, which is acceptable to the country's statisticians and is calibrated to international standards. A potential entry point is existing standard methodology for environment accounting developed by UNDESA;
- (c) **Scale up:** it is important to scale up research from local case studies towards national level.

### **C: Experience from UNDP Africa Regional Service Center, Dakar**

- 41. Mr. Henry-Rene Diouf of the UNDP Regional Service Centre for West & Central Africa gave a presentation based on the work of the Environment and Energy Unit (EEG) of the UNDP service center in Dakar. His presentation focused on work that the EEG unit had done on economic analysis especially in the areas of land degradation and biodiversity. He referred to a toolkit they had developed under their work on land so as to integrate sustainable management of natural resources into land management. The toolkit aims to build capacity on economic valuation and analysis of benefits of natural resources to enable decision-makers take into account the need for sustainability. It is available online in both French and English and covered five tools (<http://www.unpei.org/PDF/ecosystems-economicanalysis/Environmental-Economics ToolKit.pdf>).
- 42. He noted that the specific purpose of the toolkit is to inform users of approaches that could be followed to analyze and value the economic costs of land degradation and the benefits of sustainable land management. Specifically, the Toolkit contains five complementary Tools, which deal with selection of the appropriate assessment approach; ecosystems function and services identification; ecosystem services assessment (in bio-physical terms); economic valuation; and ecological-economic modeling. He added that each tool contains at least two subsequent steps, and that a number of case studies have been added to illustrate each of the tools. He also referred to a project in the Congo River basin and the efforts to calculate the economic value of the goods and services from the basin and their discovery that the same were unaccounted for in official documents. Their analysis was used to justify why it is important to conserve the Congo Basin by taking into account total economic value of the goods and services.
- 43. He saw possibility of collaboration between UNDP Dakar and PEI and other organizations especially within the context of resources, methodologies and pilot programmes on payment for ecosystem services, and land degradation program in West Africa. In terms of ways forward, he called for greater linkages between PEI and other initiatives, which undertook similar activities to encourage conservation. He also called for appropriate strategies to consider innovative financing options, beyond taxes and fees. Lastly he pointed out that REDD payments within the Congo basin was a useful example of economic assessment and analysis work.

44. In the discussions which followed, the following themes were highlighted:

- a) **Capacity-building:** while REDD presents a novel approach, it was necessary to build local capacity so that locals can participate, for instance through trust funds that ensure that the profits go towards protecting the natural resource, while ensuring government revenues are safeguarded.
- b) As The Congo River Basin covers six countries, and REDD requires large resources, the international community had started with **pilot projects**. This would allow for local capacity to build up so as to upscale participation.
- c) It is **important for governments to take advantage of existing opportunities** to engage in capacity-building e.g. through provision of technical support;
- d) It is important to **take into account the inter linkages and synergies between PEI and other initiatives aimed at fighting poverty**, such as the Green Economy Initiative dealing with social cohesion and jobs for the youth.
- e) It is important to **consider ways and means of encouraging public-private partnerships**, so that they can mitigate the effect of their activities that have a large impact on the environment, and encourage them to focus on resource efficiency and sustainable consumption and production.

#### **D: Group Discussion on How PEI Can Improve its Work on Environmental Assessments and Valuation**

45. Using the inputs of the country presentations on experiences with the application of economic assessments and valuation of environment and natural resources, participants were divided into six groups to develop recommendations for future PEI I application of these economic tools in poverty and environment mainstreaming. The group discussions were based on prepared set of questions, with the first set of questions focusing on methodology, capacity and partners and the second set of questions related to examples of successful use of the study findings for policy impact, challenges and how to overcome them. The detailed questions for the group discussions during the three days are attached as **Annex 3**. The group presentations are summarized below:

46. On **weaknesses** that have been identified in PEI's application of economic tools for environment mainstreaming the following issues were raised:

- **Technical capacity:** Limited national technical expertise to undertake baseline studies and carry out data analysis; and implement the review recommendations.
- **Institutional factors:** Environmental issues cut across various sectors including both natural resource based and key growth sector, however, there are weak institutional interlinkages and coordination across key ministries and absence of a permanent institution /structure to implement and monitor the recommendations. In addition, there is lack of co-ordination and information sharing within and across sectors and externally and lack of clarity as to the lines of responsibility for the institutions concerned;
- **Data:** Lack of empirical data both on quantitative aspects, but particularly on the qualitative aspects of poverty-environment interlinkages as well as lack of difficulty in assigning monetary value to the intangible benefits of the environment services;

- **Methodology:** lack of standardized methodological tools and concepts across countries, for instance in calculating contributions to GDP; and varying levels of ownership of the methodological tools used;
  - **Political economy factors:** lack of motivation and support from decision-makers to move the process forward owing to the centralized system of governance and political agendas;
  - **Funding:** lack of sufficient funds for carrying out regular comprehensive assessments and valuation.
47. Regarding **recommendations to improve the current methodology** for carrying out economic assessments and valuations of environment and natural resources by PEI countries, the following were suggested:
- **Upscale Case Studies:** Rather than relying on localised case studies, it is important to scale up to sector and national level coverage;
  - **Best Practices:** Improve documentation and dissemination of best practices and lessons learnt by other PEI countries;
  - **Methodology:** this should balance both indirect and direct values; consider use of a peer review group to assess findings
  - **Multi-stakeholder engagement:** this should comprise teams of international and national teams. At national level, a participatory approach would allow stakeholders to identify with outcomes.
  - **Technical Support:** PEI should continue to offer guidance to country teams;
  - **Dynamic communication strategies** should be developed to improve use of study results by decision makers and civil society.
48. On how PEI countries improve **national capacity** to carry out economic assessments and valuations of environment and natural resources, the groups recommended:
- **Multi-stakeholder engagement:** use of teams comprising technocrats and decision makers from all sector ministries to inform and discuss methodologies before starting the assessments;
  - **Awareness creation:** Continuous training so as to provide a critical mass of experts; mainstreaming environmental economics into higher learning institutions and government institutions, awareness-raising for key decision-makers and stakeholders e.g. in universities and civil society; Diffusion of methodologies e.g. use of primer;
  - **Institutional linkages:** Prioritize engagement with ministries of planning and finance and national research and academic institutions in PEI activities; developing networks for exchange of information e.g. form a technical team with members linked to various ministries to develop the implementation strategy, building on existing institutional coordination mechanisms;
  - **Capacity building:** involve statistical institutions in the economic valuation of environment and natural resources process and link to the national system of accounts;
  - **Document and disseminate** best practices
49. The participants also identified the following **national, regional and international partners** who need to be engaged in carrying out economic assessments/valuations

### At National Level:

- Ministry of Finance and Planning
- Line / Sectoral Ministries,
- Research Institutions
- Civil Society Organizations
- Programmes like PEI
- Learning and research institutions, including NGOs
- Environment and Natural Resource protection agencies

### At Regional Level:

- African Regional Economic Communities: EAC, SADC, ECOWAS, COMESA
- Other regional bodies e.g. Central Asian Commission on Sustainable Development, CILS (Committee Inter Etat de Lute Contre la Secheresse SAHEL)
- Pan African organizations e.g. African Union;
- United Nations Commissions e.g. United Nations Economic Commission for Africa (UNECA);
- Regional environment and natural resource bodies e.g Lake Victoria Basin Commission
- Development Banks e.g. African Development Bank
- Private Banks
- Carbon Markets

### At International Level:

- United Nations organizations (e.g. World Bank, UNESCO, UNESCO, UNEP, UNDP, IMF,
- International donor agencies e.g. USAID, DFID, DANIDA, JICA, AFD , Spanish cooperation
- International NGOs e.g. IIED, ODI, IISD, IUCN, WWF
- International Development banks , African Development Bank
- International community e.g. MEA secretariat;

50. The second set of questions concerned the use of study findings and recommendations for policy impact. Participants identified the following **as successful examples of using economic assessments/valuation to influence policy processes** in PEI countries and elsewhere)

- **Mauritania:** using economic studies of the contribution of wetlands to the lives of the poor
- Tunisia: using economic studies to design strong development programs
- **Rwanda:** Examples of wetlands and forests. Additionally PEER already implemented through inclusion of environment on budget call circular as well as in the mid-term expenditures framework, Collaboration between national and local government actors was already well established;
- **Tanzania:** PEER at national and sub-national level are already being implemented, and activities were being scaled up. Advocacy for extra resources was ongoing;
- **Burkina Faso:** ongoing developments include considerations of poverty-environment linkages within SCADD (Strategies de Croissance Acceleree et de Developpement Durable) and the 10-year national action plan, development of environment guidelines

within sectoral policies, and mechanisms of decentralized planning and budgeting. Additionally, elaboration of poverty-environmental linkages to wider stakeholders was also undertaken on national radio, to mayors, and in conjunction with various development partners. Training has also been carried out to key stakeholders on environmental economics, as well as establishment of technical monitoring committee and a steering committee;

- **Bhutan:** overview of environment expenditure for political advocacy
- **Mali:** National public expenditure review, and sectoral expenditure review institutionalized through the PSRP (poverty reduction strategy paper), CDMT (Cadre de Dépenses à Moyen Termes), SCADD & CSCRP and helping to shift more towards a programmatic approach in line with Paris Declaration and Accra Action Plan.

51. The following were identified as critical success factors:

- Translation of results into policy relevant information;
- Timing of results to fit with the national agenda and linking studies to existing policy processes;
- Targeting the highest-level decision makers and technocrats through a participatory process;
- Co-ordination and liaison with other PEI champions in government, civil society and development partners;
- Provision of accurate data for decision-makers; and
- Availability of funds: Increase financial resources devoted to environment

52. Challenges in ensuring that recommendations are used in national development processes were identified as:

- Lack of political will from governments e.g. lack of ownership and capacity arising for low levels of awareness;
- Lack of a participatory approach;
- Lack of donor support;
- Lack of national expertise in environmental economics
- Lack of co-ordination and liaison with other ongoing national initiatives
- Lack of adequate data including disaggregated data on poverty and environment indicators
- Lack of prioritization of the environment as a sector and limited public investment
- Lack of integration of local needs in terms resources allocation and inadequate financial and human resources for sustainable environment management at sub-national levels;
- Lack of capacity: institutional, human and financial resources

53. To overcome these challenges, it was recommended that PEI should:

- Facilitate and conduct meso/micro levels assessments;
- Provide alternatives in the recommendations of the studies
- Coordinate and liaise between PEI champions and others partners
- Reinforce cooperation between PEI and other regional institutes

## V: Wednesday, 10th November 2010: Budget Guidelines and Public Environment Expenditure Reviews

### Box3: Emerging Lessons from Public Environment Expenditure Reviews and Budget Guidelines

The following are the emergent themes from the day, as summarized by the facilitator:

- **PEI focus is on sustainable poverty reduction:** It is important to emphasize that PEI work focuses on increasing investment in sustainable environment management as well as on reducing poverty through pro-poor investments. There is a corresponding focus on improving the efficiency of existing budgeting processes—in terms of contributing to human development through improved management for pro-poor growth;
- **Long term investment:** Mainstreaming is a long term process and requires sustained investment however, studies reveal limited funding allocated for sustainable environment management in most countries. The budget allocations to the environment and natural resources sector is largely low, lower than the sector's contribution to GDP and expenditure in the sector mainly met from donor funds. Public expenditure reviews encourage a diversity of sources of funding for the environment including from private sector, civil society. It should also be used to advocate for increased financial and human resource investment in the environment and natural resources at national, sector and local levels;
- **Political engagement:** Public Expenditure environment reviews provide opportunity for engaging with parliamentarians to build their capacity to track expenditure on environmental management and advocate for sustainable financing. Public expenditure reviews also gave opportunity for countries to promote political momentum for internal and external resource mobilization for long term investment in the environment across sectors and enhanced advocacy for sustainable financing
- **Sustainable financing:** While some countries have advocated for and had established environmental funds for mainstreaming environment and environmental expenditure, it was recommended that it is preferable and more sustainable to advocate for increased allocation for environmental expenditure by the various sector plans. A suggestion was made of developing an environmental code as part of the budgeting process to enable easier tracking of environment expenditure at sector level;
- **Weak environment coordination structures:** Existence of coordinating structures and bodies that do not work is a key feature in many countries. It is important that reliance should be made on structures that exist and that are permanent to ensure sustainability. Reliance should also be had of national and government finances to ensure sustainability;
- **Environment expenditure tracking:** There is need to develop, in a participatory manner, a clear definition of environment, environmental sector, environmental expenditure so that the tracking and reviews are based on agreed definition by all stakeholders. There is a noted lack of a system within government to track environmental expenditure by other entities out of government like civil society and private sector. Sector working groups was identified a useful body that could be used to help track these expenditures;
- **Technical expertise:** There lacks of expertise, awareness and understanding in applying budget guidelines to ensure increased focus and budgetary support to the environment sector. Need to improve the capacity and institutionalize PEER.; and
- **Coordination secretariat:** A coordinating secretariat should be established within PEI for carrying forward the work on budget guidelines and PEER. Also identify permanent national institutions to ensure sustainable implementation and monitoring of this work.

## **A. Presentations of Country Experience from Malawi, Rwanda and Tanzania**

### **(i) PEI Malawi**

54. In his presentation, Mr. Michael Mmangisa, summarized the Malawi experience with budget guidelines. He stated that the Ministry of Finance had requested PEI for some guidance, tools and capacity building to train sector ministries on how to incorporate environment and sustainable natural resource management in their budgeting processes. This led to the engagement of Overseas Development Institute (ODI), which reviewed the budget process, interviewed the key actors in the interface between the budget process and environmental policy and prepared a guidance note proposing how environment and sustainable natural resource management can be better incorporated into the budget process. The ODI report made the following recommendations for a detailed public environment sector review;

- Examination of options for securing domestic revenue for the Environment Domain, including the operationalisation of the Environment Fund;
- Undertaking of Strategic Environment Assessment for specific issues, sectors and policies as a step towards bridging the gap between policy and analysis on environmental management;
- Ensure regular production of the Environment outlook report, undertake a survey on donor funding to environmental-related investments and activities to be used to identify resource gaps constraining the pursuit of environmental objectives;
- Support the operationalisation of the Environment and Natural Resources Sector Working Group.

55. He noted that clarity was necessary as to what the environment sector comprised so as to define boundaries for expenditure on the environment. Further, he observed that it was not only an issue of coming up with guidelines, but that stakeholders need to operationalize them. Additionally, he observed that a Public Expenditure Review on Environment would provide clarity on how government allocates funding and provide clarity e.g. on what the environment sector comprises.

### **(ii) PEI Rwanda**

56. The presentation on Rwanda country experiences highlighted a number of important achievements related to Public Environmental Expenditure Review (PEER). Fred Sabiti, the National Program Manager, noted that the PEER had created opportunities to engage the government on processes that can trigger additional external incentives and resources for environmental sustainability, particularly for economic sectors. Additionally it had promoted political momentum towards internal and external resource mobilization management for poverty reduction, while broadening advocacy for sustainable financing to overcome the challenge of budget constraints. He observed that the government of Rwanda has institutionalized Public Expenditure Reviews. The study recommended the issuing of guidelines by the Ministry of Finance and Economic Planning to provide much needed focus for the PER including PEER. In terms of impacts, the study has generated interest among the parliamentarians who were sensitized to track expenditure on environment management and advocate for environment financing. Additionally, a training manual for PEER was produced and will be used in the continuous capacity building efforts in the area of PEER and mainstreaming environment into

budgets. Assistance by PEI will continue to facilitate development of national capacity to integrate the environment in the Budget Call Circulars (BCC), as well as developing guidelines for integrating environment into sector strategic plans and to ensure that BCC include environment as a cross cutting issue.

### (iii) PEI Tanzania

57. In her presentation on Tanzania country experience, Ms. Blandina Cheche, the National Program Manager, highlighted efforts to mainstream poverty-environment linkages into national development process through Public Environmental Expenditure Reviews in three local authorities and one District (Mbozi, Sengerama, Singida, and Kongwa) in Tanzania. She noted that the exercise revealed that funds budgeted to address environmental issues had increased over time but that total approved released budget was lower than that approved. There was also late release of funds. The studies had also revealed that there was a shortage of qualified personnel to deal with environmental issues at the council level. . The major constraints noted were inadequate knowledge and skills to carry out their roles and responsibilities and lack of financial support from the council. Among her recommendations was to refocus the process of allocation and spending of funds for environmental management to take into account responses to key poverty and environment challenges including ecosystems and biodiversity, policies and legal frameworks and climate change. She also noted that the PEER recommendations are being used to contribute to policy/decision making at national, sector/local levels through dialogue with Prime Minister's office, Regional Administration and Local Government as well as the Ministry of Finance to advocate for widening the scope for regular public environment expenditure reviews at sub-national level. Finally, she underscored the importance of drawing the participation of key stakeholders, and availing information so as to enhance their participation and the final results of the study. These measures would lead to a better understanding of the need for increased investment in environmental sustainability in order to contribute to improved human well-being.

58. In the discussion which followed, the following key themes were highlighted:

- To ensure lasting impact of PEER, it is necessary to **draw upon existing government institutions** rather than on ad hoc structures which may not survive beyond the project;
- To ensure sustainable sources of funding: it is important to **draw upon core public resources allocated through the national budgeting process** funding, rather than on separate environmental funds. For this reason, economic instruments, such as MTEF and PEER are useful tools for planning and evaluating activities, as well as for advocacy;
- It is necessary to **obtain clarity on definitions of key terminology**, such as what constitutes environmental expenditures across different sectors. Although it is possible to initially rely on consultants and World Bank terminology, it is necessary to undergo a consultative process in order to derive ownership from stakeholders particularly from the Ministries of Planning and Finance and key sector ministries.
- **Capacity-building** especially for decision-makers is necessary, so as to enhance dialogue between government, civil society and technical experts. These require efficient coordination to bring out the contributions of all stakeholders and ensure the expenditure review process is institutionalized.

## **B. Presentations of Comparative Experience with Economic Assessments of Environmental Damage and Application of Economic Tools for Mainstreaming Environment**

### **(i) Economic Assessments of Environmental Damage**

59. Mr. David Maradan, ECOSYS, Geneva, made a presentation on Economic Assessments of Environmental Damage. In his presentation, Mr. Maradan highlighted the background and key issues regarding cost assessments of environment damages, which were based on studies done in Mali, Mauritania, Burkina Faso (underway) and Mozambique (underway). Among the issues discussed concerned monetary valuation of environmental damages and inefficiencies, external costs of benefits, values—economic & intrinsic, price and marginal value. Also highlighted were discussions on costs of data collection and analyzing data to evaluate its accuracy. He observed that when undertaking cross- country comparisons, accuracy of data, margin of error, and peer analysis was important considerations. He also observed that the data collected through such studies were important as they served to raise awareness, were easy to understand and to communicate using factsheets, and generated debate among decision-makers. For this reason, academic input from the sub-region was important, so as to provide a basis of calculation which was both transparent and acceptable. He also called for tools that could help in management and monitoring, such as indicators of sustainability.

### **(ii) Environment for Development Initiative**

60. Dr. Wilfred Nyangena, Environment for Development Initiative, KIPPRA, Nairobi presented on experience in Application of Economic Tools for Mainstreaming Environment in Kenya. In the presentation, Dr Nyangena noted that good efforts had been taken in bringing together various aspects of the environment, water and sanitation that fall under two ministries, the Ministry of Environment and Natural Resources, and the Ministry of Water and Irrigation. He observed that although the natural resources-based sectors contribute 42% of the GDP, the budget allocation is disproportionately low:- In the 2009/10 financial year the allocation for the environment, water and sanitation is less than 4% of the total budget. This made it difficult for the sector to address the challenges the sector faces, including environmental and natural resource degradation, diminishing supply of water, pollution, solid waste management, drought & flood management and emerging issue of climate change among others which have negative impact on the well-being of the poor and vulnerable. He drew attention to the necessity of ensuring that the anticipated risks and uncertainties are managed within the MTEF, and that it is clear whether or not donor funding it to be part of the budgetary funding or in addition to it. Additionally, he observed that although the sector strategic objectives are well written, there is no prioritization especially in view of budget deficit. Also, sector integration and mainstreaming are not clearly spelt out. He called for a comprehensive adaptation strategy to deal with the effects of climate change especially as they affect the poor disproportionately, as well as take advantage of the emerging carbon markets especially in the upcoming Reduced Emissions from Avoided Deforestation and Degradation (REDD) and Clean Development Mechanism (CDM). He also called for increased use of economic instruments for environmental management besides

command-and-control. These include tax rebates for environmentally friendly effluent disposal and environmental stewardship labels for companies.

61. In the discussion which followed, the following themes were highlighted:

- **Methodology:** it is important to have consistency in methodology when undertaking studies across different countries in a region/ sub-region; there should be clarity as to what constitutes an acceptable margin of error between countries; there should be consideration both of monetary and non-monetary value;
- **Funding:** there should be sustainable sources of funding for sustainable environment management, beyond taxes or sectoral funds.

62. The session ended with a short audio-visual clip highlighting PEI work in Rwanda. The videoclip, titled '**Poverty-Environment Initiative (PEI) in Rwanda**', features some of the major problems and challenges of poverty-environment related issues in Rwanda and highlights major achievements of the programme on the ground over the years. It introduces the people behind the day-today work of the Poverty-Environment Initiative in Rwanda and shows how they advocate successfully for poverty-environment mainstreaming within the government system and beyond.

### **C: Group Discussion on How PEI Can Improve its Work on Budget Guidelines and Public Environment Expenditure Reviews**

63. Based on a set of questions supplied participants made recommendations on how to better apply budget guidelines and Public Environment Expenditure Reviews in poverty and environment mainstreaming. The following is a summary of the responses from the group discussions.

64. On weaknesses identified in the application of Public Environment Expenditure Reviews and Reviews of Budget Guidelines, the groups identified:

- **Definitions:** Lack of definition of environmental domain and environmental expenditure;
- **Funding modalities:** Many countries lack proper funding arrangements for environment. There is often lack of separation of environmental expenditures (recurrent and development), as well as no uniform mechanisms to track expenditures from other sources, such as NGOs and private sector in order to bring out all the aggregated sources of environmental revenue. Additionally there is lack of standardized classification of environmental expenditures, as well as no provision within the existing budgeting framework for reviews of the environment budget. Finally, for cross-cutting issues environmental concerns, there is often no clear guidance on how the activities will be financed.
- **Co-ordination modalities:** lack of information sharing across sectors, both internally and externally and poor co-ordination within and across the various sectors. There is lack of clarity as to where specific responsibilities for environment management apply and weak institutional co-ordination compounded by centralized system of governance with growing decentralization and devolution of environment management responsibilities;
- **Capacity issues:** the tangible value of environment itself is still poorly understood; many countries have not undertaken PEER and lack the capacity to implement the review recommendations. The lack of understanding, awareness, and technical expertise leads to a

lack of interest in applying guidelines to integrate environmental sustainability in sector plans and budgets;

- **Methodologies:** lack of harmonization of methodologies used, for instance in carrying out the PEERs, or in calculating the comprehensive contribution of environment and natural resources to national GDP;
- **Data:** poor data collection, management and dissemination systems
- **Institutional modalities and challenges:** no permanent institution /structure in place to implement and monitor recommendations of the PEER review and lack of ownership of other ministries in the process of PEER. There is limited national capacity in terms of institutional, human and financial resources. In addition, there is lack of coherence between national MTER and sectoral policies and poor linkages between results-based tools and budget instruments.

65. The groups also identified the following **ways by which PEI countries could improve the current methodology** for carrying out Public Environment Expenditure Reviews and Reviews of Budget Guidelines:

- **Institutionalize the practice of PEER:** Support the identification of strategic investment priorities in sectors and define specific poverty and environment indicators in order to enable better tracking of expenditures, including from other sources such as NGOs and the private sector. Conduct case studies to complement the PEER to show how much is spent on environmental hazards and impact of the level of spending on the well-being of the poor and vulnerable;
- **Methodology:** use a harmonized methodology for analyzing the environmental expenditure and its impact on growth and poverty reduction and develop general guidelines that all sectors will use to cooperate environment issues in their plans. This can be complemented by specific sector guidelines.
- **Capacity-building and awareness-raising:** improve national capacity and awareness in the development and application of the budget guidelines that prioritize expenditures on pro-poor and environmentally sustainable growth. Develop institutional capacity to carry out PEER and involve statistical institutions, research and academic institutions, private sector and civil society organizations;
- **Document case studies on use of budget guidelines:** examples may be drawn from Botswana (project budget guidelines have included 2% to be allocated for EIAs) and Kenya (under Constituency Development Fund 2% has been set aside for environmental protection; and reviews of guidelines on EIAs and environmental audit to allow for proper budgetary reviews). Budget guidelines should address both environmental protection and sustainable use of environment and natural resources for enhanced growth and poverty reduction.

66. Specific recommendations were also made on **improving national capacity to carry out Public Environment Expenditure Reviews and Budget Guidelines** at national and sub-national levels. The groups recommended:

- **Training and capacity-building:** To support planning and budgeting it is necessary to prepare and share training manuals on PEER; Integrate the training as part of the reviews and not as a stand-alone activity; set aside resources for the capacity development;

- institutionalize the methodologies of PEERs and budget guidelines; mainstream environmental economics into higher learning institutions and government institutions;
- **Institutional modalities:** Look at the institutional framework that will implement the strategy; form committees from all sectors and a technical team with members linked to various ministries to develop the implementation strategy
  - **Partnerships and linkages:** include networks and partners from all sectors: universities and CSOs; Ministries of finance and planning, and sector ministries, CSO, Programmes like PEI, as well as regionally;

67. On partnerships, the groups identified similar institutions as the previous day and suggested that a coordinating secretariat be formed with the PEI on PEER and budget guidelines to enhance linkages with these institutions.

1. **Successful examples on using budget guidelines and PEER** were identified as:
  - Tanzania: PEER at national and local government level are already implemented and support advocacy for additional resources to address poverty and environment issues;
  - Rwanda: (inclusion of environment in budget call circular and Mid-term expenditures framework; as well as collaboration between national and local government);
  - Bhutan: overview of environment expenditure for political advocacy;
  - Mali: National public expenditure review, and sectoral expenditure review institutionalized through the PSRP, CDMT, SCADD & CSCR and helping to shift more on program approach in line with Paris Declaration and Accra Action Plan;
  - Burkina Faso: National public expenditure review, and sectoral expenditure review institutionalized through the PSRP, CDMT, SCADD & CSCR and helping to shift more on program approach in line with Paris Declaration and Accra Action Plan
2. **Critical factors of success**, include targeting highest level decision makers; translating results to simple information for decision makers; providing accurate data to decision makers; providing alternatives in the recommendations of the studies coordination and liaison between PEI champions and others partners; and reinforcing cooperation with regional institutes; and using the PEER findings as tools for advocacy.

68. The challenges encountered in ensuring that the recommendations are used in national development processes were identified as: lack of ownership, capacity constraints; lack of data, lack of prioritization of environmental expenditure. To overcome these challenges, it was recommended that PEI should:

- **Improve capacity** building efforts to ensure countries are able to conduct the studies as part of the regular budgeting process, track expenditure and establish the impacts and changes in terms of improved productivity and environmental sustainability; and
- **Offer more technical support to PEI countries** to support their efforts to increase investment in sustainable environment management that contributes to pro-poor growth and poverty reduction.

## VI: Thursday, 11th November 2010: Environmental Fiscal Reform including Economic Instruments

### Box 4: Emerging Lessons and recommendations for PEI application of Environmental Fiscal Reform including Economic Instruments

The following are emerging issues and lessons-learnt regarding future PEI application of Environmental Fiscal Reform including Economic Instruments:

- With respect to **economic instruments**:
  1. It is important to have very clear baselines in order to measure the impact in order to assess any whether the Economic Instruments are effective in terms of meeting their objectives;
  2. Financial incentives are not sufficient unless there are accompanying investments in social and economic barriers
  3. Planning and targeting of Economic Instruments should be enhanced in order to ensure they benefit the poor. The big challenge, thus, is to balance revenue generation with the mobilization of funds for purposes of poverty reduction and environmental management objectives.
  4. It is important to have a monitoring mechanism to evaluate the impacts and effectiveness of the economic instruments used e.g. polluter-pays principle or direct taxes.
- **Environmental Fiscal Reform**: Critical success factors include utilization of subsidies and the promotion of decentralization in fiscal budgeting and planning. The main challenges include lack of political will, inadequate financial resources, lack of enabling policies and legislation in many African countries, difficulties in defining environmental issues, and low level of awareness especially about environmental fiscal reform.
- National capacity can be enhanced through sensitization workshops, conducting exchange visit, and establishing and supporting national co-ordination structures.
- Effective Environmental Fiscal Reform entails countries having four main elements: 1. Autonomy—where it is not just government providing money; 2. Multi-stakeholder involvement; 3. Transparency; 4. Tangible and measurable results. Also relevant are broader considerations such as the existence of political will;
- While it is important to ensure that there are standard methodologies, it is also necessary to ensure that technical support is provided on what are the most useful methodologies, as well as effective mechanisms to monitor performance

### A: Experience from Rwanda and Uganda

#### (i) PEI Rwanda

69. The Rwanda country presentation was made by Mr. Alex Mulisa. In his presentation, he noted that while his country's study was a baseline study, it had provided opportunities for policy-makers to engage in exploring options for sustainable financing for environment. He observed that the study suggested that there were already existing and potential environmental fiscal reform measures to help improve national funding levels and diversify options for investing in environmental sustainability for poverty reduction beyond tax reforms. Among the key findings
70. and recommendations was that while the current level of public spending cannot sufficiently address current environmental problems, there were other sources of finance, such as the Payment for Environmental Services (PES) and the Clean Development Mechanism (CDM), as well as for private sector involvement. He noted that the study had identified concrete examples of promoting environmental management while also supporting the poor. He cited as an example, solid waste management, in which the private sector had identified commercial opportunities, which created employment opportunities for the poor, while generating environmentally sustainable products from the garbage, namely manure.

## **(ii) PEI Uganda**

71. Mr. Cornelius Kazoora, while presenting the Uganda experience, highlighted three important themes: Firstly, the importance of having a clear baseline to measure the impact and trace whether or not there have been any changes. Additionally, financial incentives are not enough. There is need for accompanying investment to address social and economic barriers and meet the environment and poverty reduction objective. Finally, the study showed that while economic instruments were well intended, their planning and targeting could be enhanced to benefit the environment and the poor. The big challenge, therefore, is to balance revenue generation with the poverty reduction and environmental management objectives.
  
72. He noted that Uganda had begun evaluation of its Poverty Eradication Action Plan and formulation of its next one, the Five-year National Development Plan. As part of the plan's formulation, sector-working groups have been requested to generate evidence that will influence the choice of priority actions. The Environment and Natural Resources Sector Working Group had commissioned a study on the use of economic instruments for environmental management. Mr. Kazoora drew attention to three case studies. The first case concerned Promotion of alternative sources for lighting and cooking. In 2006-7, the Ministry of Finance, Planning and Economic Development (MFPED) exempted the value-added tax on liquid petroleum gas to increase the affordability as an alternative source for lighting and cooking. While the policy aims to help the poor, only 2.3 per cent of the rural population use electricity, liquid petroleum gas or paraffin for cooking, so the subsidy's chance of helping the poor are low. In addition, the Uganda Revenue Authority has forfeited 3.4 billion Ugandan shillings (\$2.1 million) in revenue in one year. Following the evaluation, it was recommended to reintroduce the duty and to use the revenue to fund activities such as tree planting that can benefit the environment and the poor.
  
73. The second case concerned implementing the polluter-pays principle to curb pollution. In 1998, the government introduced a water waste discharge fee ranging from 0 to 13 million Ugandan shillings (\$0-7,000) in proportion to the biological oxygen demand load. The fees are meant to encourage investment in less polluting technologies. However, the legislation only states that companies may register for discharge permits. As a consequence, despite economic growth, only 27 companies have registered out of around 200 businesses that were initially identified. The current legislation thus needs to be amended to require that all major water polluters register for discharge permits. The final case concerned revision of unsuccessful incentives to promote pro-poor productivity in agriculture. In 2005-06, the MFPED exempted interest earned by financial institutions on loans granted to persons engaged in agriculture to encourage them to lend to the sector. To further encourage banks, the minister proposed in 2005-07 that expenditures, losses and bad debts incurred in lending to the sector be tax deductible. From an environmental perspective, there is no evidence as to the impact of this lending. Moreover, only 1.8% of rural households borrow from formal sources and 4.5% from semi-formal sources. Given that small-scale subsistence farmers account for 70% of the poor, it is unlikely that this policy has had a significant impact on poverty. It is thus recommended to collect data on the specific use of the agricultural loans to enable monitoring of impact. A case can thus be made for transferring some of the tax break to micro-finance institutions, which are more likely to lend to the rural poor.

74. In the discussion that followed, the following themes were highlighted:

- a) **Importance of having a very clear baseline** to measure the impact in order to trace whether or not there have been any changes both on the environment as well as on the poor;
- b) **The challenge of ensuring that funds raised through Economic Instruments are mobilized for their intended purpose**, namely the efficient allocation of resources in each environmental sector for making pro-poor investment in environmental sustainability
- c) Importance of having a **monitoring mechanism** to evaluate the impacts and effectiveness of the economic instruments used e.g. polluter-pays principle or direct taxes.
- d) **Financial incentives are not enough**. They need to be accompanied by other measures to encourage or reward innovation that promotes sustainable utilization of environment and natural resources.

## **B: Group Discussion on How PEI Can Improve its Work on Environmental Fiscal Reform**

75. The participants, based on the presentations and experience shared by Rwanda and Uganda, discussed how PEI could improve its work on EFR and who to partner with in the process. The following is a summary of the outcome of the group deliberations.

76. Successful examples of environmental fiscal reform were identified as follows:

- Fiscal reform around forests in Rwanda
- Senegal: restriction on old cars and subsidies on change of old cars in Senegal
- Trust fund to better manage wetlands in Mauritania
- Sustainable Tourism and green house flower farming in Kenya

77. **Critical successful factors** identified included the identification of subsidies as a key fiscal reform issue and promotion of decentralization. Challenges in implementing environmental fiscal reform were stated to include lack of political will, non-supportive legal and policy framework; lack of financial resources; bad governance and sectoral application of tax policies. Others included the fact that there is a lot of focus on revenue generation; the poor do not benefit from introduced fiscal reform measures; inadequacy of economic instruments to cover all sectors; the difficulty in tracing funds and failure to plough the raised funds to support the poor; and low levels of awareness and of application of the EFR measures.

78. Proposals were made to enhance the use and effectiveness of EFR in PEI countries including:

- Adoption of incentive rather than - disincentive measures
- Redefinition of the criteria for the different sectors at the national level
- Real involvement of the central structures in the collection and management of resources—engage these structures in the upstream process
- Clear definition of information to be used for sensitization and communication
- Capacity building
- Undertake exchange visits
- Introduction of implementation mechanisms
- Development and standardization of methodology to be applied for EFR

## C: Recommendations and Closing Statements

79. Mr. David Smith of PEI presented the conclusions and recommendations that emerged from the forum as captured by the rapporteurs. The same were debated and approved. Below is a summary of the conclusions and recommendations as adopted.

80. The meeting made the following **CONCLUSIONS**:

- **Overall Importance of Economic Tools & Approaches:** The meeting underscored the overall importance of economic tools and approaches for integrating poverty and environment linkages into national and sub-national development planning and implementing processes, including budgets.
- **Economic Analysis has generated solid evidence of links between Environmental Sustainability and Poverty Reduction:** Country examples demonstrated how economic analyses have provided substantive evidence of how environmentally sustainable natural resource management is important for achieving sustainable economic growth, poverty reduction and general improvement of livelihoods.
- **Economic evidence convinces development decision-makers:** Moreover, country examples demonstrated that economic evidence is key to convincing key decision-makers that environmental sustainability should be a higher development priority. Policy makers are increasingly using the results from PEI economic assessments to justify mainstreaming poverty and environment linkages into development planning processes and budgets.
- **PEI experience with PEER, budget guidelines, and reviews of economic instruments for sustainable environment use and poverty reduction demonstrates that investment in environmental sustainability continues to be low:** PEI countries are increasingly engaging in strengthening the budgeting process through public environment expenditure reviews and budget guidelines. However, although there is increasing appreciation of the importance of investment in environmental sustainability for the achievement of key development objectives, including food security & poverty reduction – investment levels remain disproportionately low. More work is needed on these elements, including in terms of PEI support to countries
- **Public expenditure reviews were** highlighted as enabling countries to promote political momentum for internal & external resource mobilisation for investing in environmentally sustainable natural resource use & enhanced advocacy for sustainable financing.
- **Environmental Fiscal Reform Studies including reviews of economic instruments** demonstrated diversified options for sustainable financing for environmentally sustainable natural resource management & poverty reduction.
- **Challenges Remain:** The greatest challenges in the application of the various economic tools were identified as
  - a) Lack of guidance on the application of standardized methodologies;
  - b) Non-availability of reliable data;
  - c) Lack of adequate local expertise to apply the economic tools;
  - d) Ensuring adequate involvement of stakeholders; and
  - e) Limited funding, especially local funding for economic analysis.

81. Flowing from the conclusions the meeting adopted the following **RECOMMENDATIONS:**

**I. Improve guidance for application of economic assessments, tools and methodologies for poverty and environment mainstreaming:**

- (i) **Be clear on terminology:** Need to ensure understanding that PEI focuses on how environmentally sustainable natural resource use can help achieve development objectives, including poverty reduction. Focus is NOT on environmental protection.
- (ii) **Methodology-** PEI should borrow from best practices and develop guidance on standardized methodology, tools and approaches for undertaking the **economic assessments and valuation** to ensure uniformity, comparability and enhance reliability, accuracy and utility of findings. There should, however, be flexibility too for adaptation to local country conditions. PEI should ensure that technical support is provided on what are the most useful methodologies
- (iii) **Strengthen the poverty dimension of the economic valuation studies.** Environment's contribution to GDP is not sufficient in terms of measuring environment's contribution to poverty reduction and the poverty dimension is still a general weakness in most economic studies. For future studies, PEI should therefore take a lead in developing guidance on methodology, tools and approaches on how to more efficiently measure the contribution of sustainable environmental management for poverty reduction.
- (iv) **More Comprehensive Economic Valuation Studies -** Based on the work done already, PEI should move from localized case studies to more comprehensive economic assessment studies, apply the different tools and approaches already piloted in some countries and design the studies to capture not just macro-level assessment and results but also meso and micro-levels and use both quantitative and qualitative approaches.
- (v) **Uniform Understanding of Environmental Expenditure:** There is need to develop, in a participatory manner, a clear definition of environment, environment domain, environmental sector, environmental expenditure so that the tracking and public environment expenditure reviews are based on agreed definition by all stakeholders.
- (vi) **Ensure a focus on increased funding for environmental sustainability across sectors:** It is vital that different sectors (e.g. agriculture, water) agree that investing in environmental sustainability is good for them and that they increase budgetary allocations for sustainability. (e.g. investing in soil erosion control programmes).
- (vii) **Continuous monitoring of environmental fiscal reform:** The meeting urged for continuous monitoring of the extent to which the economic instruments deliver on their intended goals which should be environmental management for poverty reduction. Necessary fiscal reform should also be undertaken to ensure the instruments benefit the poor and the environment and not just result in generation of revenue.
- (viii) **Highlight the poverty reduction objective in the review of economic instruments that support environmentally sustainable resource use:** Advocate for and support innovative funding to demonstrate effective application and implementation of *economic instruments that support sustainable environmental management and poverty reduction objectives at local level.*

## **II. Develop national capacity to apply economic tools and use evidence in national decision making processes**

- (i) **Training and Capacity Building-** the approaches and tools considered at the forum require technical skills and expertise which is not always readily available. PEI and participating countries should consequently partner with Universities, local and international research organizations to train and build capacity (both of experts and those to apply the findings) to be able to undertake high quality research and apply the same for sustainable policy impact.
- (ii) **Increased technical support by PEI-** PEI should continue to give technical support to all the countries for use of these tools and approaches. Specifically enhancement of the work of a coordinating team within PEI for carrying forward the work on budget guidelines and PEER was urged. Support to the appropriate established national institutions to ensure sustainable implementation and monitoring was also recommended as being very important
- (iii) **Diversify and increase funding for PEI work within countries-** for sustainability, funding by government of assessments and valuations is recommended. In addition countries are urged to diversify funding sources for assessments to include the private sector and other donors. Enhanced funding to the environment for poverty reduction requires that different sectors in government internalize the need for environmental sustainability and increase allocations for this in their sector plans.
- (iv) **Ensure multi-stakeholder involvement-**There should be multi-stakeholder involvement (different government departments, civil society, private sector, and citizen groups) in the research and assessment process as a means for improving accuracy, ownership and reducing the gaps between research findings and policy implementation and impacts
- (v) **Institutionalize PEER-** Need to improve the capacity to conduct PEER. The review should be institutionalized as part of the annual Public Expenditure Reviews by countries. Develop a specific environmental objective code to enable tracking fund allocation and expenditure for environment sector at all levels. Sustainability indicators should also be developed to aid in review and monitoring process.
- (vi) **Identification of Champions-** Champions should be identified within various institutions (including other ministries, parliament, civil society, government, regional & international bodies) to increase the effectiveness of mainstreaming poverty and environment within government planning processes, including budgeting.

### III. Improve knowledge management and dissemination of lessons learned at national, regional and global levels

- (i) **Share Best Practices-** experience with the application and impact of use of economic tools has revealed several best practices that should be documented and shared widely for replication.
- (ii) **Develop and implement clear communication strategies-**To enhance incorporation of PEI findings into policy, country programmes should develop and implement clear communication strategies. This should include engagement with stakeholders throughout the process, peer review of findings and development of policy briefs from the study findings for easy consumption by policy makers.
- (iii) **Monitoring and Evaluation:** PEI and participating countries should invest in sharing lessons learned from monitoring the performance of PEI activities in PEI countries so as to enhance the impact of PEI work

82. The **CLOSING STATEMENT** by a representative of the francophone countries highlighted their appreciation of the forum and y exchange of experiences across both anglophone and francophone countries pointing out that this would speed progress. The statement also lauded the forum for bringing together experts from diverse disciplines—economics, planning and finance, who had brought their diverse skills and capacities to an area of multi-disciplinary focus. In addition, he appreciated the recommendations especially their on the importance of multi-stakeholder involvement focus in capacity-building, monitoring and evaluation and generally when integrating the environment into the planning processes. He also noted that while it was important for key ministries of Finance and Planning to work together, it was also important to consider the effectiveness of their working relationship in terms of the capacity of the personnel involved.

83. The closing statement from a representative of the Anglophone countries highlighted that the challenge of climate change was contributing to spiraling poverty particularly among the people in the respective African countries who depended on the environment. He noted that the forum was thus timely. He challenged policy-makers and decision-makers to ask the important question ‘what have we done?’ He noted that the various participants had put forward very many recommendations regarding the mainstreaming of PEI work into the various ENR sectors. He expressed t hope that participants would return to their respective countries and apply those lessons-learnt towards addressing the challenges that they had identified.

84. In his closing statement, on behalf of the PEI Africa team, Mr. David Smith thanked participants for their time and input. He noted that the PEI work was of great importance to the countries involved. He renewed his commitment to provide even more assistance to the African country programmes, where it was required. He expressed the hope that for the countries which were newer to PEI and were starting up, the forum had demonstrated the utility of the economic instruments. Lastly, he acknowledged the contributions of the facilitators, report writers, and the entire PEI Africa Team.

## Annex 1: AGENDA OF MEETING

	<b>Monday, 8 November, 2010</b>	<b>Tuesday, 9 November, 2010</b>	<b>Wednesday, 10 November, 2010</b>	<b>Thursday 11 November, 2010</b>
	<b>Overview of lessons learned from PEI Experience in application of Economic Assessments &amp; Tools</b>	<b>Economic Assessments and Valuation of Environment and Natural Resources</b>	<b>Budget guidelines and public expenditure reviews on environment expenditures</b>	<b>Environmental fiscal reform including Economic Instruments</b>
<b>Session 1: 8.30 – 10.00</b>	<p>Opening and Introductions</p> <p>PEI History and Objectives</p> <p>Overview of PEI Africa Results (Economic Assessments &amp; Tools)</p>	<p><b>PEI Country Experience:</b> Burkina Faso, Malawi, Mali, Mauritania, Tanzania, Rwanda</p> <p>(Country Presentations: methodology, key findings, use in policy, lessons learned)</p>	<p><b>PEI Country Experience:</b> Bhutan, Malawi, Rwanda, Tanzania</p> <p>(Country Presentations)</p>	<p><b>PEI Country Experience:</b> Rwanda, Uganda</p> <p>(Country Presentations)</p>
<b>Coffee: 10.00 – 10.30</b>	<b>Group Photo</b>			
<b>Session 2: 10.30 – 12.30</b>	<p><b>Experience from other PEI Regions on Economic Assessments:</b> Asia</p> <p>Presentation on <b>UNEP Green Economy Initiative and Sustainable Consumption Production</b></p>	<p><b>PEI Country Experience:</b> Mauritania, Mali, Tanzania, Rwanda (continued)</p> <p>Experience from <b>UNDP Africa Regional Service Centres</b> (Dakar and South Africa)</p>	<p><b>PEI Country Experience:</b> Bhutan, Malawi, Rwanda, Tanzania (continued)</p> <p>Presentation on <b>assessment of environmental damage (ECOSYS)</b></p> <p>Presentation from <b>Environment for Development Initiative</b> (Kenya)</p>	<p>How can PEI improve its work on EFR? Who should PEI partner with?</p> <p><b>(Group discussion &amp; Plenary)</b></p>
<b>Lunch: 12.30 – 14.00</b>	Posters/Exhibitions by Research Institutions on Ongoing Economic Work in Program countries/Region	Posters/Exhibitions by Research Institutions on Ongoing Economic Work in Program countries/Region	Posters/Exhibitions by Research Institutions on Ongoing Economic Work in Program countries/Region	Posters/Exhibitions by Research Institutions on Ongoing Economic Work in Program countries/Region
<b>Session 3: 14.00 – 16.30</b>	<p>Experience from <b>Regional research and academic Institutions</b> (Cameroon, Egypt, Mali)</p>	<p>How can PEI improve its work on EA &amp; Valuation? Who should PEI partner with?</p> <p><b>(Group discussion)</b></p>	<p>How can PEI improve its work on Guidelines, PERS? Who should PEI partner with?</p> <p><b>(Group discussion )</b></p>	<p><b>Presentation of Outcomes</b></p> <p><b>Closing Statements</b> (distribution of all presentations/reports on CD)</p>
<b>Coffee: 16.30 – 16.45</b>				
<b>Session 4: 16.30 – 17.30</b>	(continued)	Plenary Discussion	Plenary Discussion	
<b>18:30</b>	Reception at UN Recreational Centre Garden			

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## ANNEX 3:

### WORKING GROUP DISCUSSION QUESTIONS

Lessons learned from country experience in the application of economic assessments and methodologies in poverty and environment mainstreaming

8 – 11 November 2010  
Nairobi, Kenya

#### WORKING GROUP DISCUSSION QUESTIONS:

Each group is expected to elect a Chair to facilitate the process and a volunteer to record the discussion. The Chair will be responsible for moderating the working group discussion and summarizing the outcome of the discussion. The conference facilitators will visit each group to clarify any outstanding issues. A flip-chart will be provided for each group to capture the key points from the discussion in relation to the proposed discussion questions. All documentation should be provided to the conference facilitators and report writers following each working group session.

#### Day 2: 9<sup>TH</sup> NOVEMBER 2010:

##### Economic Assessments and Valuation of Environment and Natural Resources

**Objective:** Using the inputs provided from the country presentations on experiences with the application of economic assessments and valuation of environment and natural resources develop recommendations for future PEI application of these economic tools in poverty and environment mainstreaming.

##### **Set A: Questions on Methodology, capacity and partners** (4 groups)

- (i) What are some **weaknesses** that have been identified in PEI's application of economic tools for environment mainstreaming?
- (ii) How can PEI countries improve the **current methodology** for carrying out economic assessments and valuations of environment and natural resources? Give examples.
- (iii) How can PEI countries improve **national capacity** to carry out economic assessments and valuations of environment and natural resources?
- (iv) Give examples of **national, regional and international partners** who need to be engaged in carrying out economic assessments/valuations.

##### **Set B: Questions on Use of study findings/recommendations for policy impact** (4 groups)

- (v) Identify successful examples of using economic assessments/valuation to influence policy processes (from PEI countries and elsewhere)

- (vi) What were the critical success factors?
- (vii) What are the challenges in ensuring that recommendations are used in national development processes (plans, budgets, monitoring systems)
- (viii) How can PEI overcome these challenges?

### **Day 3: 10<sup>TH</sup> NOVEMBER 2010:**

**Objective:** Using the inputs provided from the country presentations on experiences with the Public Environment Expenditure Reviews and Budget Guidelines, develop recommendations for future PEI application of these economic tools in poverty and environment mainstreaming.

#### **Budget Guidelines and Public Environment Expenditure Reviews**

##### **Set A: Questions on Methodology, capacity and partners** (4 groups)

- (i) What are some **weaknesses** that have been identified in the application of Public Environment Expenditure Reviews and Reviews of Budget Guidelines
- (ii) How can PEI countries improve the current **methodology** for carrying out Public Environment Expenditure Reviews and Reviews of Budget Guidelines? Give examples.
- (iii) How can PEI countries improve **national capacity** to carry out Public Environment Expenditure Reviews and Reviews of Budget Guidelines at national and sub-national level?
- (iv) Give examples of **national, regional and international partners** who need to be engaged in carrying out economic assessments/valuations. How can PEI effectively engage them?

##### **Set B: Questions on Use of study findings/recommendations for policy impact** (4 groups)

- (v) Identify **successful examples** of using Public Environment Expenditure Reviews and Reviews of Budget Guidelines to influence policy processes (from PEI countries and elsewhere)
- (vi) What were the **critical success factors**?
- (vii) What are the **challenges in ensuring recommendations** for Public Environment Expenditure Reviews are used in national development processes (plans, budgets, monitoring systems)?
- (viii) How can PEI overcome these challenges?

## Day 4: 11<sup>TH</sup> NOVEMBER 2010:

### Environment Fiscal Reform including Reviews of Economic Instruments

**Objective:** Using the inputs provided from the country presentations on experiences with Reviews of Economic Instruments and Environmental Fiscal Reform, develop recommendations for future PEI application of these economic tools in poverty and environment mainstreaming.

#### **Set A: Questions on Methodology, capacity and partners** (4 groups)

- (i) What are some **weaknesses** that have been identified in PEIs work on Reviews of Economic Instruments and work on Environmental Fiscal Reform.
- (ii) How can PEI countries improve the current **methodology** for carrying out Reviews of Economic Instruments and support to Environmental Fiscal Reform? Give examples.
- (iii) How can PEI countries improve **national capacity** to carry out Environmental Fiscal Reform?
- (iv) Give examples of **national, regional and international partners** who need to be engaged in carrying out PEI work on Economic Instruments and Environmental Fiscal Reform. How can PEI effectively engage them?

#### **Set B: Questions on Use of study findings/recommendations for policy impact** (4 groups)

- (v) Identify **successful examples** of using recommendations from Reviews of Economic Instruments to influence policy processes (from PEI countries and elsewhere)
- (vi) What were the **critical success factors**?
- (vii) What are the **challenges for PEI in promoting environmental fiscal reform and ensuring recommendations** from Reviews of Economic Instruments are used in national development processes (plans, budgets, monitoring systems)?
- (viii) How can PEI overcome these challenges?