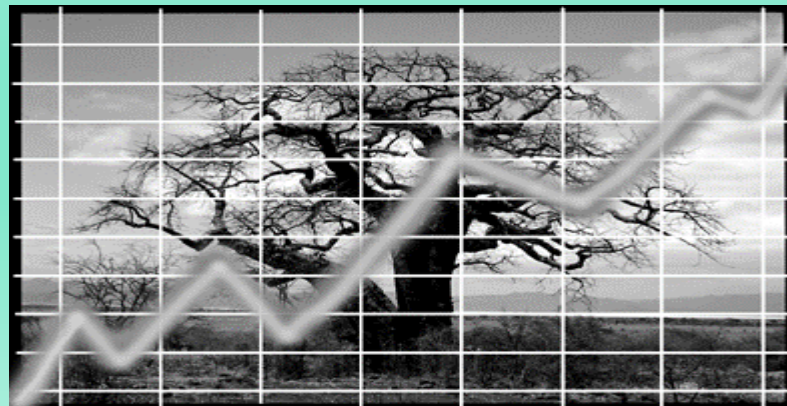


UNECE Expert workshop
Regional economic and geo-political Benefits of Trans boundary Water Co-operation
Estonia
28 – 29 January 2015
Panel 2: Assessing and communicating regional economic co-operation benefits

How to influence the Ministry of Finance

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Outline

- Background experience of working with and in Ministry of Finance
- => Lessons for how Environment Ministries and Agencies can assess transboundary water issues and options and communicate economic benefits of Transboundary water co-operation to influence Ministry of Finance
 - ? General applicability for Ministry of Foreign Affairs who face similar constraints and concerns
- Dos and Don'ts in carrying out and presenting the assessments
 - Illustrative examples from IWRM and also other subjects (climate change, transport) translated into lessons for TWC
 - Need more examples (in working groups?)

Lessons for how to influence Ministry of Finance

Present the benefits and case in economic terms

Need to be substantial

Eg Climate change: Worked closely with MOF (and Min of Foreign Affairs) on:

- Inter-departmental report on economics of climate change
- Input to First climate change Action plan
- Stern review on economics of climate (led by Government chief economist)

Significance (% of GDP) of water dependent sectors

- Eg Agriculture (Nile, Mekong)

reduce economic problems & fiscal liabilities of poorly performing agriculture
(eg Europe/CAP)

Increased trade, food availability and security (Nile basin)

- Hydro energy (% of energy) – (Mekong/Laos)

lower energy costs and increased security of supply as key driver for growth (Nile, Niger)

But NB must be and appear to be “sound”

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- **Don't:** make spurious claims of increased GDP and jobs from

- a) Environmental expenditures per se

- Expenditures have to be paid for by costs on others who could otherwise have had greater impacts on growth and jobs

Examples from transport expenditure bids claiming increased GDP based on spurious partial macro economic model runs not allowing for costs of the measures

- b) Environmental regulations.

- Ditto re costs of regs on businesses

Don't: use Porter's hypothesis that env regs lead to be increased competitiveness and environmentally leading firms are more competitive. MOF response:

- not applicable to bulk of regulated firms adversely affected by env reg costs
- need direct action to tackle market failures for why such laggard firms are not more competitive

But NB Must be and appear to be “Sound”

- **Don't:** Base case for measures on ‘environmental imperative’ grounds
- **Do:** Show synergies of IWRM & TWC with economic & public finance objectives
 - Cost recovery charging to reduce subsidies for
 - water (eg WFD),
 - MOF demand effective technical and financial mgt of existing assets and their maintenance & recovery of maintenance costs
before consider new capital investments (with associated liabilities for ongoing op and M costs)
 - food,
 - Energy
- Call for water/abstraction charges not taxes (MOF prerogative)
- **Don't:** Call for hypothecation of charge revenues for earmarked environmental purposes
 - **Do:** Justify each of the charge and the expenditures as being worthwhile best options with no net public finance costs

Must Do: in methodology and empirical analyses

Take explicit account of:

1. Costs of possible actions (see policy guidance para 67)

Show explicitly how done this to reduce costs by ruling out expensive options

• Eg: positive response and interest from MOF re £3.5bn water industry programme by:

• CBAs of 450 water improvement schemes in England and Wales

=> proposed programme which achieved 80% of the environmental benefits at 38% of the total costs of the original schemes.

• On top of technical screening out of costly not worthwhile

• ? Any Egs of Savings in costs and liabilities from integrated solutions in IWRM rather than separate measures on water quality, water resources, flood risks etc

2. IWRM measures provide secure water supplies that enable increased investments and outputs of water dependent sectors (see para 42 -43)

Eg:

• Nile Basin

• UK: Environment Agency and Pepsico programme of greater water efficiency in Pepsico farms reduced water use => enabled sustainable growth in a water stressed catchment.

3. Check evidence (esp its plausibility) & provide clearly referenced reputable sources

• Peer review by independent respected economist

• Present summarily (2-4 pages) – include points 1 & 2 in policy guidance exec summary

To Sum up: How Min of Finance will review your submission

Max 1 hr attention span to:

1. Review Exec summary to see if recommendation and proposal are a major material beneficial opportunity or liability to MOF in terms of direct, indirect and long run impacts on economy and public finances.
2. If so, review methodology to see if fundamental flaws – ie Don'ts.
3. If so => bin.
4. If not clear => then ask for clarification
5. If you obey Dos=> MOF start to study – you're in the game

Aitäh

Thank you

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