Good practice in economic (cost-benefit) assessments

Jon Barnes
EAPAN AGM & Annual Mini Conference

18-Oct-2013
Background

- EA of development projects
- Environmental & social impacts
- Economic consequences
- **Negative costs**
- Losses in use and non-use values – land & NR
- **Positive gains**
- Project development
**Approach**

- Identify core approach to economic assessment
- **Minimum ‘best practice’**
- Sufficient for review/clearance by EC
- Optional enhanced economic assessment
- Useful or necessary in cases
Total economic value

Total economic value of natural resources

Use values
- Direct use values
- Indirect use value

Non-use values
- Option value
- Bequest value
- Existence value
Use values of natural resources

Direct use values
- Non-consumptive direct use value
- Consumptive direct use value

Indirect use values
- Economic indirect use values
- Ecological indirect use values
Basic economic use value

- What is the best use of nation’s resources
  - Needs to fit with national planning values
  - National income at opportunity cost
- Needs to be based on accessible data
  - E.g. mean values from simple surveys
  - Cost-benefit budget and investment models
- Need Project feasibility data!
Embellishments

- Shadow pricing adjustments
- Inclusion of additional values
  - Non-use values – existence, option, etc
  - Income and value added multipliers
  - Winners and losers analysis
- Inclusion of other methods
  - Cost effectiveness, CVA, TCA, MCDA
Economic Value

Turnover or Gross Output

Financial value

Private net income
- Wages & salaries
- Taxes to gov
- Interest & capital payments
- Rental payments

Value added to National Income

Benefits to Local livelihoods

Expenditure on external inputs

Round 1

Round 2

Round 3

Round 4

Direct

Indirect
Tourism & Wildlife
Livestock
Mining
Suggested best practice

- Minimal “requirement”
  - Economic implications
  - National income change
  - Negative and positive
  - Cost-benefit analysis
  - Sensitivities for planning

- Embellishments as needed
  - Additional values
  - Additional methods

- Incorporation in ESIEA report
Thank you!