



**Evaluation of IIED's Environmental Economics work  
2009 to 2013**

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**Olof Drakenberg**

**Anders Ekbom**

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## Abbreviations and Acronyms

BCAS	Bangladesh Center for Advanced Studies
CBA	Community Based Adaptation OR Cost Benefit Analysis
CCG	Climate Change Group
CDKN	Climate Development Knowledge Network
CIFOR	Center for International Forestry Research
COP	Conference of the parties
CSO	Civil Society Organisation
DFID	UK Department for International Development
DEFRA	UK Department for Environmental, Food and Rural Affairs
ESPA	Ecosystem Services for Poverty Alleviation
FAS	Amazonas Sustainable Foundation
GEC	Green Economy Coalition
IDRC	Canadian International Development Research Centre
LDC Group	Least Developed Countries group
NGO	Non-Governmental Organisation
NRG	Natural Resources Group
PEI	Poverty Environment Initiative
PES	Payment for ecosystem services
PIG	Project improvement group
REDD+	Reduced emissions from deforestation and forest degradation
SDG	Sustainable Development Goals
SMG	Sustainable Markets Group
TNRF	Tanzania Natural Resources Forum
WRI	World Resource Institute

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## Disclaimer

Full responsibility for the text of this report rests with the authors. The views expressed in this report do not necessarily represent those of IIED or the individuals consulted.

## Executive summary

Environmental economics has been an important part of IIED's work since the mid-1980s. With a new strategy underway IIED wanted to review the contribution of this body of IIED's work. The evaluation has two main objectives. The first is to evaluate IIED's environmental economics work over the last five years, focusing on the areas of PES/REDD+ and the economics of adaptation because these are the majority of the work during the period. The second is to make recommendations about future directions for IIED's work on environmental economics and in economics more generally over the next 5 to 10 years based on an analysis of emerging trends. The evaluation builds on document review and interviews with IIED staff, collaborating partners, and external environmental economics resource persons.

### Findings

**Relevance** IIED's environmental economists are working on important sustainable development issues. Work on PES/REDD+ has a clear niche when it comes to the social impacts at the micro level and bringing these experiences to national and global discussions. These incentive based mechanisms represent a relatively narrow part of the broader sustainable development agenda. The work on the economics of climate change addresses various important research questions but is more scattered.

**Quality** We assess the quality of the work to be largely in line with IIED's own standards. The research questions and policy conclusions of reviewed documents are sound. The methodologies are generally well applied but can be improved in some respects. We agree with the external 2011 evaluation that further investment in academic rigor is important for increasing the impact of IIED's work. This can include increased publication in peer-reviewed scientific journals and presence in scientific conferences.

**Collaborative research and cross group collaboration** Collaborating researchers value working with IIED in terms of how they engage with researchers and other stakeholders and the quality of contributions. Activities related to capacity building and technical support are appreciated although there is demand for even more guidance, feedback and more peer review. Funding constraints in some projects hampers reaching the same level of collaboration, learning and engagement as IIED typically aims for. The environmental economists are making important and well appreciated contributions to other parts of IIED and specifically to projects within NRG and the CCG. Collaboration with other projects or parts of IIED appears low given the potential benefits of multidisciplinary work. Organisational barriers and time constraints may be key causes.

**Impacts** IIED's work on environmental economics is to a varying degree having an impact at local, national and international level within specific segments of the environmental economics spectrum. The IIED environmental economists have a particular strength in working with partners at the micro level, synthesising and bringing lessons learned to national and international levels. We assess IIED's environmental economics work to have made the largest contribution in bringing in the social aspects in evaluation and design of incentive based instruments such as PES/REDD+. Through long standing collaboration and relationships with national partners and other researchers IIED has been able to influence large schemes in Latin America and also some NGO led initiatives elsewhere.

When it comes to the economics of climate change the research questions have deliberately been broader, ranging from economic impacts of climate change, methods for assessing adaptation options, the economic value of pastoralism, to impacts of an air passenger levy. IIED has made a contribution in all these respects but broader impacts on debates or tools outside the specific projects sphere appear to be more limited. This could be an illustration of the difficulty of mainstreaming where impacts may be important but less visible or easily traced.

IIED has also contributed to capacity building and strengthened policy and research networks for various collaborating researchers and partner organisations. It has to some degree influenced the research agendas of academic institutions and civil society organisations. Moreover the results of collaborative research have also helped inform national debates for instance on the impacts of climate change on agriculture and the contribution of pastoralism to the economy.

By doing research at the micro level, with a particular focus on equity and social aspects, synthesizing case studies and communicating complex issues and findings effectively, IIED makes a useful contribution also to the academic research community.

**Strengths and weaknesses** We observe the following key strengths related to IIED's work in environmental economics: i) a well-established niche on equity aspects of incentive based instruments; ii) ambitious and competent group of researchers working on various aspects of the green economy agenda and linked to other parts of IIED such as CCG and NRG; iii) access to strong academic researchers and cooperation with Green Economy Coalition and influential actors like the World Bank and UNDP-UNEP; iv) productive and long standing relations with partner organisations; and v) access to IIED's credibility, structural and intellectual capital including communication capacity and platforms for outreach and policy influence.

We observe the following key weaknesses related to IIED's work in environmental economics; i) PES/REDD+ is a rather narrow subject area and might be marginalized in the years to come ii) limited staff resources and insufficient incentives for journal publication; iii) shortage of funding to establish complementary strong research niche/s outside of PES/REDD+; iv) lack of a shared vision of the role of economics and environmental economics within IIED; and v) lack of a willing and clear "*economic voice*" for communication internally and external high level policy engagement on issues like green economy and green growth.

## Moving forward

While UNFCCC negotiations carry on and discussions on the Post 2015 agenda, SDG's and Green Growth/Green Economy continues, individuals, communities, businesses, investors and governments are making daily decisions building on current norms and regulations or lack thereof. IIED has the dual challenge of dealing with current realities and influencing debates of what is yet to come.

In the transition to a climate resilient, inclusive green economy there are a number of fundamental challenges requiring careful analysis. Arguably, key debates in the next five to ten years include: - **Who should pay?** Fairness and distribution of costs for climate action and protection of other global public goods between current and future generations, between countries and groups in countries; and -**What works?** Efficiency, equity and political economy aspects of various policy instruments and

approaches, governmental or non-governmental, for a climate resilient, inclusive green economy, including climate finance, in different country contexts and rural and urban settings.

IIED has to make strategic choices. The first question relates to how much IIED is willing to invest in environmental economics or perhaps framed differently: How much is IIED willing to invest in economic capacity, tools and methods to contribute to a transition sustainable development? Other key choices relate to thematic focus, role, mainstreaming, rigor and partnerships.

IIED's Strategy framework provides direction for many of the questions raised above and the recommendations below has considered these without being restricted to them. The first four relate to what to do and the following four make suggestions on how.

**1. Promote a broader deployment of environmental economics.** It is timely to start speaking of economic tools and approaches for climate resilient and green economies. Environmental economics practitioners are well versed for this. Currently a significant part of IIED's environmental economics work comes from the angle of protecting environmental services equitably. Using environmental economics tools and approaches more broadly opens for more multidisciplinary work with other entry points such as access to natural resources or energy, diversification etc.

**2. Remain focused on the micro level.** Collaborative research bringing important lessons from the micro level to national and international arena is a key strength of IIED. The niche role on PES/REDD+ is likely to become too narrow but lessons and methods for assessing and promoting social and environmental outcomes can be applied for other relevant policy instruments for climate resilience and green economy. The investments needed for undertaking credible macro-economic work on green economy is probably non justifiable without a very radical change to current practice. Should IIED decide to pursue macro-economic analysis on green economy issues, there is a need to link up more strongly with organisations such as the Global Green Growth Institute, the World Bank, African Economic Research Consortium, or reputed departments of economics doing work in this area.

**3. Strengthen the role as change agent.** Being an expert on all fronts is an impossibility. A comparative advantage of IIED is the ability to bring local evidence to global policy debates and to engage with multiple partners across broad topics. To maintain and improve its position, it is necessary that IIED strengthens its capabilities to act as a powerful change agent. This implies acting as a hub, or engine of activities, that brings in the required expertise and knowledge from global and local partners for change. It involves strengthening IIED's role as a matchmaker and facilitator of innovative initiatives (e. g. impact evaluation of devolution of rights in natural resource sector reforms; the role of ICT for sustainable natural resource management), and a natural partner for dialogues and policy-relevant research at national levels that can be scaled up to sizeable and fundable research projects at global level that include the use of environmental economics approaches.

**4. Go for what is feasible.** Political context, power balances, the existence of functioning markets and other institutional factors heavily impact on the effectiveness of and probability of implementation of various policy instruments and approaches. IIED could be even more sensitive to local contexts when involving key players, such as multiple parts of government and civil society groups, in research processes in order to build capacity and enhance the chances of influence. Putting more emphasis on

behavioral aspects would increase the understanding of human motivations and responses to risks and change and thus contribute to better, more feasible solutions.

**5. Deepen the internal discussion** IIED has initiated internal discussions on the role of environmental economics and economics more broadly. There is a need to deepen these discussions and to reach out to broader parts of IIED. Discussions should include: Is economics of today the problem, the solution or a mix of both? How could IIED apply and influence economic tools and perspectives to achieve its objectives? What role could/should environmental economics or economics more broadly play within IIED and how will this affect the focus and quality of its research work?

**6. Supplement internal capacity.** Recruit an internationally renowned resource person within the field of economics with a strong record of linking environmental and development issues (analytically, with significant practical experiences), preferably but necessarily an environmental economist. The person should possibly play a leading role in the umbrella initiative climate resilient inclusive green economies, visibly engage in internal and external debates on broad issues like green growth. In addition the person should be able to maintain current staff and attract others to build a critical mass of staff and skills within IIED.

**7. Work in partnerships.** Maintained strong relations with relevant partners in selected countries in the South is critical and suggests their closer engagement in the formulation of research agendas. A broader deployment of environment economics tools and approaches also requires even more partnerships with individual researchers and research networks/institutions as a way to both attract financing, to undertake the research and for more efficient capacity building activities. Potential collaborators include SANDEE, EEPSEA, and EfD<sup>1</sup> with good records of policy oriented research, policy engagement and capacity building. The increased focus on practical engagement and contacts with government underlines the importance of continued collaboration with global organisations/programmes interested in approaches that can increase capacity and political interest in change e.g. World Bank Waves, UNDP-UNEP PEI while involving civil society in the process

**8. Invest in rigor.** IIED needs to continue investing in rigor. Stronger internal incentives that promote and ensure increasing publication in scientific journals and conferences are suggested. Closer partnerships with leading research organisations, academics networks and individuals can help ensure rigor and strengthen IIED's research capacity and impact.

In summary, what is proposed above is an incremental but determined and consolidated improvement of current practices and not a radical change of course. IIED works in partnerships, links local issues with national/global debates and policies, brings in feasibility aspects, works on various policy instruments for green economy and invests in academic rigor etc. The suggestion made is to strengthen these aspects even more. The main shift proposed is towards a broader deployment of environmental economics tools and for more multidisciplinary work. Combining this broader scope with a higher profile requires recruitment.

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<sup>1</sup> [www.efdinitiative.org](http://www.efdinitiative.org); [www.sandeeonline.org](http://www.sandeeonline.org); [www.eepsea.org](http://www.eepsea.org).

## **1. Introduction**

### **1.1 Context of the evaluation**

Environmental economics has been an important part of IIED's work since the mid-1980s. From 2004 onwards there has not been a special programme for environmental economics but it has rather constituted an important theme in IIED's work. Since the beginning of the current strategy period environmental economics has been a central part of the Sustainable Markets Group's (SMG) rationale and agenda and with substantial collaboration with the Natural Resources Group (NRG) and the Climate Change Group (CCG).

As IIED in 2013 is developing a new strategy for 2014-2019 it was timely to review the contribution of this body of IIED's work and how it can be enhanced for the future. The review builds on past evaluations such as the IIED at the cross roads of Leadership, 2012 and past partnership reviews.

### **1.2 Evaluation objectives**

The evaluation has two main objectives. The first is to evaluate IIED's environmental economics work over the last five years, focusing on the areas of PES/REDD+ and the economics of adaptation. The second is to make recommendations about future directions for IIED's work on environmental economics and in economics more generally over the next 5 to 10 years based on an analysis of emerging trends, a horizon scanning document to be included in the report. The ToR is attached in Annex 1. The evaluation should assess:

- the relevance and quality of research and policy recommendations
- the quality of collaborative research partnerships and capacity building
- communication and dissemination
- impacts on policy decisions or discourse, capacity development of stakeholders/partner organisations etc.

### **1.3 Approach and methodology**

The evaluation has been performed by Olof Drakenberg and Anders Ekbom at the Centre for Environment and Sustainability at the University of Gothenburg/Chalmers University.

Our approach has been to use a combination of document review and interviews to assess the quality of a selected number of research outputs and the extent to which the environmental economics work has contributed to intended outcomes and the value of these outcomes.

Building on the ToR the evaluation team developed an overall evaluation matrix and interview questions that was discussed with the evaluation team at IIED on the 25<sup>th</sup> of September. Adjustments to this have been made in discussions with Maryanne Grieg-Gran.

Assessing impacts and outcomes such as contributions to policy debates influence on policy or behavioral change, or contribution to theory is highly complex. Our approach has been to ask IIED researchers to point us to areas where they have made the biggest contributions. Depending on

claims made we have either accepted them or tried to validate this through interviews or document reviews.

Data collection methods included:

-A series of semi-structured face to face or telephone interviews with IIED staff, collaborating researchers and key external stakeholders (research organisations, policy makers, donors). IIED has provided names on collaborating researchers/partners, IIED staff for interviews. The evaluation team and IIED have discussed names of external stakeholder to interview to draw from.

-Document review – IIED Work books and Results Reports, briefing papers, IIED evaluations and Partnership Review, Draft future strategy, IIED guidelines for research excellence, project evaluation reports and requested information on funding sources and project size.

-Product review – detailed review of five specific IIED outputs on PES/REDD+ and economics of adaption. The selection of these were made in discussion with IIED and was based on criteria such as relevance for IIED's future work, having a spread of involved IIED researchers, are considered by IIED to be of good quality and have contributed to theory and evidence. Two different researchers have assessed four papers whereas one paper has been reviewed by one researcher.

More information on people interviewed and the methods for analysis is given in Annex 2 and 3.

## **2. Description of environmental economics work at IIED**

IIED's strategy 2009-2014 constitutes the point of departure for the environmental economics work. IIED's environmental economics' work during the strategy period has mainly focused on the following topics; i) improving the understanding of market failures that cause adverse social and environmental outcomes and of incentive mechanisms to correct them; ii) framing the green economy agenda; iii) developing and applying practical economic methods to assess costs of climate change and value of adaptation

The work mainly takes place within Sustainable Markets Group (SMG) and the headings 4.3 Tackling market failures, 4.5 Fair and inclusive green economies and 4.6 Economics of climate change for which there are ambitious targets, See Annex 4. During the period average staff time has been 1,73 for Tackling market failures, 0,45, for Fair and inclusive green economies and 0,86 for Economics of climate change or about 3 staff combined. Other significant work involving environmental economists also take place under the CCG 2.3 Climate resilience, productivity and equity in the drylands and NRG 1.3 Forests. The annual work plans are developed by the researchers and discussed with the economics group, the broader SMG and other relevant parts of IIED. Partners' views and available funding calls also influence the annual work plans. In general the researchers collectively or individually have to attract new funding to realize the work plan. The environmental economists' projects are largely dependent on calls for proposal Work plans are intentionally flexible to allow adjustments to upcoming opportunities for new projects and for the event that IIED don't win proposal bids.

Smaller projects are discussed with SMG or with other directly implicated groups. All larger projects proposals are reviewed by the project improvement group (PIG), involving representatives from

various groups. The purpose is to improve the proposal and discuss issues of cross group relevance and identify synergies. The communications team is always present in (PIG).

Research, dissemination in academic and non-academic circles, seminars, and face to face meetings with stakeholder are seen as key means for achieving results. IIED make use of various platforms such as Fair Ideas side event at Rio, its presence at the COPs for UNFCCC, Community Based Adaptation network, Poverty Environment Partnership as well as the platforms of various partners.

Progress towards IIED's Workbook is reported in Results Reports. There is no single format or template for progress reports or final reports of specific research projects. Funders typically require specific reporting, often with heavy emphasis on outputs, communication and outreach activities.

The environmental economics group is the only team of economists within IIED but it should be noted that there are several other economists at IIED including economists specialized in forestry and agriculture. External economists are also consulted in various IIED projects. As an example the Urban Settlements group has own capacity and is using economic analysis in their work on themes like Urbanisation and economic growth (Turok and McGranahan, 2013; Kundu, 2011). Another example from outside the environmental economists group is IIED's second most downloaded publication since 2006 *Assessing the costs of adaptation to climate change – a review of the UNFCCC and other recent estimates (2009)* co-authored with many climate economics specialists.

## Funding

Funding for research projects on environmental economics come from about 10 external sources during the period 2009-2013. Financing reported under 4.3 Tackling market failure average £ 250' and £ 100' £ 165' respectively for 4.5 Fair and inclusive green economies and 4.6 Economics of climate change. In addition to external financing frame funds are used to finance one project out of ten and co-finance about two projects out of ten. Projects are of varying size. About 30% are under £ 20', 26 % between £ 20' and 50' and 37% are between £ 50' and 250' and 7 % or two projects are larger than £ 250'. One of these two, the Norwegian REDD+ work is worth about £ 1,5 M and hosted within NRG. With the exception of the large Norad project UK funding (DFID, DEFRA, ESPA) dominates in terms of funds and number of financed projects. Other sources of funding include the World Bank, The European Commission, IDRC, UNEP, and Germany. See Table 1

**Table 1 Funding sources**

Funding source	Number of projects
DFID (Both the accountable grant and special funding)	7
UK Darwin Initiative, DEFRA	6*
IIED Framefunds/SMG reserves	3
International Development Research Center (IDRC)	2
BMU International Climate Initiative, Germany	1
Climate Development Knowledge Network (CDKN)	1
European Commission	1
ESPA Ecosystem services for poverty alleviation, UK	1
UNEP	1
World Bank Community Development Carbon Fund	1
Norad, Norway	1
Projects partly funded by IIED frame funds	6
Total	25

Source: IIED \*Two of the Darwin projects are post-project funding linked to an original project, one of which was in the previous strategy period so they are actually 5 projects.

The projects differ a lot in terms of funding available for dissemination and outreach. In general there is increasing pressure to ensure that research is broadly disseminated. With the exception of the frame funds IIED is dependent on the priorities of the various funders. At more detailed level IIED can to various extents influence the focus and methodologies for the work. IIED can also make specific project proposals and seek funding for these. Frame funds are often used as co-financing which often is a requirement for many funding agencies. This gives IIED a competitive advantage when bidding for external funds.

### 3. Review of IIED's work on environmental economics

#### 3.1 Assessment of relevance

According to OECD's evaluation criteria, relevance is defined as the extent to which the objectives of a development intervention are consistent with beneficiaries' requirement, country needs, global priorities and partners' and donors' policies.

It is clear from IIEDs strategy and annual workbooks that IIED has the ambition to work at local, national and global levels. To a large extent the logic is that research and analysis performed at case study level is synthesised and fed into higher levels to inform the national or global debates. Examples include the IDRC climate adaptation project where methods for undertaking stakeholder focused cost benefit analysis in the water sector were piloted in five countries. Lessons were synthesised and a guidance report produced to stimulate further refinement and application worldwide. Other projects directly address the global policy arena. For instance IIED analysed the opportunity to generate adaptation finance through a levy on air passengers undertaken for the Least Developed Countries Group under the UNFCCC. The analysis was discussed during the climate negotiations. The Hilsa fishery work in Bangladesh is a good example of multi-disciplinary research

which seeks to improve the design of an existing system for fisheries conservation and management. The work is undertaken in collaboration with national authorities, and academic institutions and BCAS. IIED's communications department has participated from the outset to support the intention of reaching out to broad groups with interest in fisheries in Bangladesh and the region. Social impacts of environmental policies and instruments feature strongly among the various research questions that IIED has worked on during the strategy period, see Box 1.

**Box 1. IIED's selected research questions2009-2013**

- How can pro poor PES/REDD schemes be designed?
- Do participants in PES schemes prefer compensation in cash or in public goods?
- What has been social impact of Costa Rica PES scheme?
- How do different options for REDD architecture affect achievement of greenhouse gas emission reduction and co benefits for sustainable development and poverty reduction?
- What can a framework for assessing social impacts and legitimacy of policy instruments for conservation look like?
- What mechanisms could be used to promote high biodiversity through REDD+?
- How is valuation applied for watershed systems and how can environmental impacts of payment for ecosystem be monitored in such schemes?
- What are the enabling conditions and policy options for Cambodia to realize country-specific green growth opportunities?
- What do partners in the South say about the green economy?\*
- What are the costs of climate change for agriculture and how can planning be improved?
- What is the total economic value of pastoralism in Kenya, Tanzania and Ethiopia?
- What are the potential for and impacts of an air passenger levy to generate adaptation financing?
- How can stake holder focused cost benefit analysis be applied for adaptation in the water sector?

\*This question has been addressed through country dialogues to feed into national and international processes and not as specific research projects.

It must be stressed that IIED works on other highly relevant environmental economic aspects in areas outside this evaluation, including on green economy and green growth. Important examples from SMG and IIED more broadly include work on fair and equitable solutions to climate change, quality investments, access to energy, markets in food and agriculture, securing land rights, tactics and approaches for improving forest governance include innovative district funding for social protection.

### **Interviewee's perceptions**

The interviews with IIED staff and external stakeholders revealed that relatively little is known about the work on the economics of adaptation when compared to the work on PES/REDD+ where IIED has developed a clearer niche. Relating to the latter, IIED is appreciated for its contribution to the field of payment for ecosystem services where social aspects now are understood and discussed to a greater

extent than before. There were many diverging views related to the relevance of the work. Divisions can be grouped in three categories; i) thematic focus of research; ii) level of multidisciplinary work; and iii) focus between local and global.

*Thematic focus of research:* The most significant difference in views relates to the thematic focus on PES/REDD+ and the insufficient attention to issues outside of the current work. Many external and internal respondents express that PES/REDD+ represent niche areas that fail to directly connect with main economic policy and development issues such as energy, agriculture, investments or has reached a level of maturity where relatively less attention is needed. Others, both within and outside of IIED argue that PES/REDD+ remain highly relevant areas that merit continued attention. Differences in views cannot be explained by academic background. Few interviewees had strong views about IIED's work on climate change adaptation, although it was broadly seen as relevant.

*Level of multidisciplinary work:* Multi-disciplinary work is here referred to as projects where several academic disciplines and sub-disciplines are involved. There is a general view among the interviewees that environmental economists have a lot to bring to the sustainable development agenda. Several interviewees, mostly internal but also external to IIED argue that the environmental economists should spend more time working with other parts of IIED rather than having a research agenda on their own. Others, particularly the environmental economists, fear that mainstreaming and multidisciplinary work would dilute key competences and distance the researchers from journal publication and academic outreach. Several IIED staff and external stakeholders argue that current work would benefit from expanding the economics methods and perspectives by increasing skills in behavioural economics and by giving more attention to political economy aspects. Combined this is expected to improve the quality of the work and increase the feasibility of proposed recommendations.

*Local or global focus of research:* There is broad agreement on the relevance of IIED researchers to be involved in country case studies and for taking local/national lessons to the global level. Micro level work is a key strength. Many interviewees, both external and internal, stress the importance of working in countries and policy contexts where IIED has a long term engagement to allow for local impact. IIED's strong relations with many partner organisations in the South are generally seen as a key asset. There can be tradeoffs between being relevant for donors/funders at the global level on the one hand and relevant at local/national level on the other. As an example opportunity to adapt to local context and policy processes is limited when doing a multi country analysis with fixed deadlines. As for other global actors seeking global financing some external stakeholders point at the risk that IIED research priorities are overly aligned with donor priorities which may come at the expense of local use of research and local needs for tools and information. IIED researchers did not express concerns for their research agenda being restricted by donors/funders priorities.

Frame donors have responded that IIED research is largely in line with their priorities related to environmental economics work. Answers have been given by Irish Aid, Sida and Danida. See also information about donors' suggestions on future research priorities on page26.

### **Box 2. Perception on relevance by external stakeholders**

"IIED's works with partners on the ground and synthesizes lessons learned from various places to the national and global level. This work is highly relevant"

"They seem to spend too much time on niche issues while missing out on the main things linking environment to development"

"The work is highly relevant, they need to continue investing in the understanding of adaptation and behavioral change"

"IIED should extend the work into more practical aspects of linking economics to diversification of local economies in a way that reduce the burden of natural capital"

### **3.2 Assessment of research quality**

IIED presents itself as one of the world's most influential international development and environment policy research organisations. "IIED carries out research, advice and advocacy work. We carry out action research — generating robust evidence and know-how that is informed by a practical perspective acquired through hands-on research with grassroots partners — and we publish in journals and maintain high research standards."<sup>2</sup>

IIED has developed their own criteria for research quality that promote aspects like collaborative research, peer review by local stakeholders, partners and colleagues, an inclusive research process and meaningful communication of findings, see Box 3.

### **Box 3. IIED Towards excellence – policy and action research for sustainable development**

In the context of sustainable development, frameworks for analysing research excellence must look beyond traditional academic principles such as rigour and reliability. They must acknowledge that sustainable development research takes place within diverse political and social conditions, which also influence how policies are developed, decisions taken and projects implemented. And they must recognize and challenge, the power dynamics that shape how different types of knowledge are valued.

Effective engagement- promoting research collaboration

Diverse peer review – more emphasis on local knowledge and partners

Inclusive research management-involving partners in shaping the research

Agreed standards-measures for validation

Meaningful communication- reaching out to stakeholders

*Source: IIED Towards excellence - policy and action research for sustainable development*

Contrary to the case for the Urban Settlements Group (USG)<sup>3</sup>, the areas 4.3 and 4.6 have not included any targets for journal publication during 2009-2014. Nevertheless some of IIED's

<sup>2</sup> [www.iied.org/About-us](http://www.iied.org/About-us)

<sup>3</sup> Planned results under Human Settlements Group include; Our publications are cited and used in professional and academic courses; New articles, book chapters and edited books prepared and published.

environmental economics work have gone through academic peer review and appeared in journals or as book chapters. Between 2009 and 2013 five papers were accepted for journal publication including Journal of Agricultural Economics, Climate Policy and Food Policy. In many cases this was achieved in collaboration with academic researchers outside the organisation. Such collaboration provides opportunities for IIED's researchers to influence the research agenda and strengthen their skills. This contributes positively to IIEDs' status and facilitates research collaboration with partners in the South.

### Interviewee's perceptions

Few external interviewees have detailed information on more than one research project. By and large IIED's work on environmental economics is appreciated from a quality perspective and is seen as fit for purpose. As can be expected there are significant differences in perceptions between the interviewees. Not surprisingly many academic stakeholders would welcome more focus on academic rigor, journal publications and some pointed to problems of quality in case studies due to weak capacity of participating research collaborators. Other stakeholders, both university researchers and others in both North and South appreciate current level given that IIED is not an academic institution. Long term partners in the South express great appreciation for the quality of IIED research.<sup>4</sup> Many IIED staff praised the environmental economists for doing good work and said that they often used the findings and arguments from the environmental economists in their own work. Some IIED staff chose not to assess the quality given that it was outside of their area of expertise. It can be noted that the environmental economists themselves expressed the desire to spend more time on research to further improve the quality. See Box 4.

#### Box 4. Perceptions on quality by external stakeholders

"Outputs are great and fit the purpose for which they exist"

"They are not leading, not cutting edge, but they do solid work. Their key strength is in translating technical work, engaging with diverse stakeholders, seeking synergies with other ongoing work within PEP, PEI etc. and making it happen"

"I admire their breadth of work within the economics of climate change which reinforce each other but the academic quality of case studies I have seen varies"

"On green economy and the economics of climate change they are far behind the current research front and depend too much on others' research. In order to be a credible player they need to invest a lot in building their own capacity"

"They play an important role as think tank that not only makes updated and state of the art research and analysis but also links to developing countries"

### 3.3 Assessment of specific studies

Based on a limited set of research studies (5) of different size and scope it is difficult to say something general about the quality of IIED's research. The findings are highly dependent on the

<sup>4</sup> It is worth noting that the positive views of these organisations cannot be explained by high levels of economic dependence; the share of financing from IIED to Tanzania National Resources Forum represent 1% of funding (Green park Partnership review) and Amazonas Sustainable Foundation, FAS, less than 0.5 % (auditors report <http://fas-amazonas.org/versao/2012/wordpress/wp-content/uploads/2013/04/FAS12-dez-final.pdf> less than 0.5 %,

choice of studies. Nevertheless, some general observations can be made. By and large the research projects address important sustainable development challenges/issues and are relevant for policy making. Only to a smaller extent do the research projects develop new theories, or make use of or adapt to new methodologies in their respective fields.

Contributions to theory are limited, and in some studies none at all. Often, contribution to theory is not the objective of the research. The contributions to empirical evidence are relatively higher, although several conclusions are derived from logic, argumentation and intuition and descriptive statistical analysis, rather from the outcomes of formal (econometric) testing and analysis. This observation also applies to the proposed policy implications and recommendations, which seem to be relevant and appropriate, but are more a result of qualitative assessments and intuition than results from formal econometric analysis based on cutting-edge scientific assessment techniques. Distributional aspects (such as social and poverty impacts) have generally been addressed in the studies; although the analytical techniques can be improved, this is arguably the strongest positive feature and contribution of the studies in relation to other similar studies – the emphasis on social and poverty impacts of a specific environmental challenge (deforestation, climate change, biodiversity loss etc). Gender and generational issues have also, to a lesser extent, been addressed. Additional information on the respective projects is given in Annex 5.

**Research project 1: Stakeholder focused cost benefit analysis in the water sector:** An overarching comment is that, in principle, a cost benefit analysis (CBA) that is done well should already do all the things discussed in this paper. A well performed CBA should cover all impacts that are large enough to matter to anyone in society, and if distributional impacts are important, a well done CBA report should discuss those impacts even if they do not affect the headline aggregate number. So if all CBAs were done well, this report would not be needed. In practice, many CBAs (especially in developing countries) leave out effects, not because they are unimportant to the affected agents, but because they are too difficult to measure or because none of the stakeholders commissioning the study thought to include them. In practice, both analysts and policymakers also tend to assume that as long as the headline aggregate number looks good, the project is sound – even if that headline aggregate includes devastating impacts on part of the population. This means that the measures discussed in this report, which aim to bring a wider range of stakeholders into determining what impacts to study and how to value those impacts, can have important benefits in the form of better informed and better interpreted CBAs.

Having said that, however, we are nonetheless a bit worried about the way in which this is described as a completely new methodology. We would rather describe it as an improvement on existing practice. The authors describe this as something completely new, and do not discuss in sufficient detail the “standard” way of doing CBA and how this approach differs from that. This means that someone who is not already well-read on CBAs may not grasp that a lot of this is already (or should already be) part of the standard methodology, and may also not grasp what the new components are.

There are also cases (for instance, the description on p 11, and the discussions about discount rates) where the text sounds as if the authors are referring to financial CBAs rather than social/economic CBAs. The discussions are too brief to say for sure, but the lack of clarity is a bit worrying. So, although we like the idea of capturing a wider range of effects by speaking to a wider range of

stakeholders, which is the main point of the report, we think the limited links to earlier literature makes this a weaker report than it might have been. An overall assessment is roughly that although we think this is potentially a nice contribution to how CBAs may be carried out in practice, it would probably have been useful to have a few CBA practitioners and/or authors of “standard” CBA handbooks comment on the text before it was finalized – currently there are too many loose ends.

**Research project 2: Planning and costing agriculture’s adaptation to climate change – synthesis report:** This report suffers from being more of an anthology than a coherent whole. Different parts have very clearly been written by different authors and there seems to have been no consensus on how the different parts would fit into the whole. The case studies, which are presented as the main contribution, account for about 20% of the overall text. The report starts out with a useful overview of climate change issues in developing countries, as they pertain to agriculture in particular; this is, in my opinion, the best part of the report and although it does not contribute any new knowledge as such, it does provide a very good description of the state of the policy and research debate on this topic and hence makes the existing knowledge more accessible. The methodology (or “analytical framework”) section appears to have been written by a non-economist, has no clear link with the preceding overview or to the case studies, and does not give a very clear picture of how the author of that chapter thinks the case studies should have been carried out in practice.

The case studies are very different from each other and do not link that well with the overview section or with the stated methodology, and the description is too superficial for the reader to follow how the different cost estimates are reached (and as mentioned earlier, cost estimates in themselves are not that useful without benefit estimates). An overall and concluding assessment is that this report would have benefited greatly with a fair amount of additional editing before it was published. It does not link well with other IIED reports in the field, let alone with other ongoing work in the field.

**Research project 3: Payments for Hilsa fish (*Tenualoa ilisha*) Conservation in Bangladesh:** This study addresses Hilsa fisheries in Bangladesh, and how policies can be developed to ensure sustainable fisheries. The research project is relevant for policy making and addresses important sustainable development challenges/issues due to the fact that Hilsa fisheries are of large importance for livelihoods of millions of people; sustainable fisheries are at stake and the fisheries offer significant employment in the region. If managed *non-sustainably* it might become a difficult political issue, nationally or even regionally.

The research project cannot be claimed to apply methodologies appropriately, largely due to the fact that the study is a desk study suggesting what to do, rather than testing methodologies empirically or arrive at policy conclusions based on empirical research (methodology applications). It does nothing “wrong” but it does not advance theory or apply methodologies; it mainly proposes to apply PES as a conceptual framework and tool for analysis (economic generation and benefit sharing) of the Hilsa fisheries, and proposes what to do to ensure more sustainable fisheries. Generally it is useful and seems sound (analytically, and policy-wise) but in some instances the non-tested policy recommendations seem premature and unsubstantiated (e.g.: “Fishermen and fisherwomen should also be assisted in opening savings accounts with minimal fees and requirements,” p. 183). Conducting a proper empirical analysis would support any claims made for specific policy interventions and measures.

Although the study does not advance theory or conduct empirical analysis based on original data or an empirical analysis, it contains useful recommendations for further study. Identifying adequate research issues and tasks, the way it does, in order to provide knowledge for strategic planning and decision-making is arguably also be a useful contribution to advancing or guiding the research agenda, as well as the meeting the knowledge needs for proper development and implementation of policies. More generally it is fair to say that the policy and research impact of the study is unknown, largely due to the fact that it had not yet been published at the time of the evaluation. However, the researchers' collaboration with the fisheries authorities increases the likelihood that the study will have policy impact<sup>5</sup> Highlighting the need to focus on equity and distributional aspects are also useful, although it would have been more useful if the study had gone from being a desk study (secondary data) to an empirical analysis, based on original household and fisheries data. We welcome the additional fisheries research projects that will generate such data.

**Research projects 4 and 5: Fair and green? Social impacts of payments for environmental services in Costa Rica: and Assessing Preferences for Compensation Packages using the Discrete Choice**

**Method: The case of the Bolsa Floresta Program in Amazonas, Brazil:** These research projects on Payment for Ecosystem Services (PES) concentrate on the issue of participation. Since most PES programmes are of voluntary nature this issue is highly relevant and has important implication for the design of these programs. The first study provides a well-documented description of who has received and who is receiving the PES contracts in Costa Rica. The second paper provides information of the preferences for different payment types and levels in the Bolsa Floresta Program in Amazonas, Brazil, through a discrete choice method.

Both studies are highly policy relevant, but the methodological approaches are weak and hence the academic contributions are low. In the case of the first study, the social impact would be better evaluated by using quasi-experimental designs that use econometrics to compare PES participants to designed counterfactual (non-participants that are matched by using matching methods). For instance, the most used matching method is propensity score matching (e.g., Rosenbaum and Rubin 1983). IIED had initially designed a proposal for such analysis but due to lack of funding it was only possible to undertake an analysis of who participates in the PES scheme. Given this more limited scope it would have been better to avoid speaking of impacts in the title of the paper to reduce the risk of confusion. This descriptive analysis made useful contributions to the understanding of participation in the scheme and to the discussion on social impacts of PES schemes. In case of the second study, the econometric approach is limited in the sense that unobservable heterogeneity is not considered. The selection of people participating in the study is not sufficiently tested for being representative of average farmers in the program. Thus it will be difficult to draw proper conclusions. Econometric approaches like Random parameter logit model or Latent Class model would strengthen the results. Further, more insights are reached by allowing a broader design of the choice experiment. Improvements in the methodological approaches would bring this research, not only to a higher academic level, but also to more robust policy conclusions.

**Evaluators' assessment of research relevance and quality**

IIED's environmental economists are working on important sustainable development issues. Work on PES/REDD+ has a clear niche when it comes to the social aspects of the systems which is highly

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<sup>5</sup>It can be noted that the launch of the Hilsa fishery report on November 27<sup>th</sup> 2013 generated significant news coverage for instance in several major English speaking daily papers in Bangladesh. (Source:IIED)

relevant. The work on the economics of adaptation cannot easily be positioned and is also by definition a much broader and highly relevant field. It is not a matter of IIED doing irrelevant work but rather a question of missing out on even more pertinent issues. A heavy emphasis on rather technical and sophisticated approaches like PES/REDD+ risks leaving IIED out of contributing to the understanding of development processes that influence decisions on economic policies with large scale impacts on energy, land use, investments, urbanization and access to productive resources. The environmental economists have directly engaged in the green economy agenda through work for UNEP, OECD, and indirectly via other parts of IIED e.g. through the Green Economy Coalition etc. Yet we find it surprising that the environmental economists have not engaged even more in shaping this agenda which provides opportunities to broaden the discussion to more central economic policies. It may also include funding opportunities that otherwise are not accessible for engaging with issues like indicators, governance, political economy issues linked with local natural resource management, diversification of livelihoods, environmental fiscal reform etc. Our assessment is that there is a need to develop a clearer focus for the work on climate change and to broaden the narrow focus on incentive based mechanisms to include other policy instruments.

We assess the quality of the work to be in largely in line with IIED's own standards. The research questions and policy conclusions of reviewed documents are sound. The methodologies are generally well applied but can be improved in some respects. It is encouraging that all economists are engaged at the field level and that new methodologies are applied such as choice experiments. We agree with the external 2011 evaluation of IIED that further investment in academic rigor could increase the influence of IIED's work. While acknowledging the usefulness of IIED's own criteria for research quality it is of utmost importance that work defined as research also follows the established standards, and processes for research, including independent and competent peer review, publication in journals and testing and dissemination in research circles (conferences, symposia etc.).

Although the strategy period has involved publication in peer reviewed journals these have to a significant degree capitalised on non-IIED research projects i.e. research undertaken before joining IIED. Gender and generational aspects have to a varying extent been addressed in the specific papers reviewed, probably more than the average academic paper but there is room for improvements. For instance this could be done by always commenting on gender aspects rather than only doing it when differences are statistically significant or not. We agree with the many voices calling for more multidisciplinary work and inclusion of behavioral economics and political economy of environmental change and environmental management. It is a challenge all institutions to stay up to date with the academic frontier as more and more economists are engaging in climate economics and environmental economics. Partnerships with academic institutions are critical to ensure high quality research.

### **3.5 Collaborative research partnerships, capacity building and cross group collaboration**

#### **Collaborative research partnerships**

IIED engages in a range of types of partnerships, for research, advocacy, developing new ideas, shared learning, and organisational development.<sup>6</sup> According to IIED's partnership review, the

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<sup>6</sup> Green Park Consultants GPC, 2012, Review of IIED's relations with its partners, February 2012

partnerships represent a huge capital for IIED that includes partners' knowledge, skills and capacities, geographic and thematic diversity, access to policy arenas, links to poor and marginalized groups and legitimacy etc. The partnerships are mutually beneficial and help build capacity, amplify voices and increase access to policy arenas.

IIED's environmental economics work capitalises on, and contributes to reinforcing the value of these partnerships. Examples include work with the Amazonas Sustainable Foundation FAS in Brazil, the Tropical Agricultural Research and Higher Education Center (CATIE) in Costa Rica Tanzania National Resources Forum (TNRF) and Bangladesh Centre for Advanced Studies, (BCAS). As noted in Chapter 2 many research projects are quite small, one off assignments where no mechanisms are in place to establish long term relationships. This has been particularly true for the work on the economics of adaptation. There have been some action research projects during the period if we by these mean that they involve practical work and direct involvement with stakeholders (e. g. Uganda PES Chimpanzees, PES Costa Rica, Hilsa fisheries in Bangladesh). Capacity building has mainly had the character of on the job training combined with joint workshops and where IIED provides feedback to collaborating researchers. We have not seen specific training materials and rely on interviewees to judge the quality of workshops and feedback given.

### **Interviewee's perceptions**

As highlighted above the forms of research collaboration vary greatly. This is mirrored in the respondents' answers where some have in depth collaboration experiences, whereas others have had relatively limited interaction with IIED and characterize the work as a traditional consultancy. In the latter cases there was limited scope for influencing the design of the research, choice of methods etc. This means that some of the high ideals for research collaboration are compromised for instance when IIED has had less influence on the project design. Collaborating researchers in the North as well as in the South appreciate working with IIED and most collaborating researchers from academic institutions or NGOs find that IIED is very good at collaborating with partners in the South.

There is general appreciation for workshops held and intellectual interaction with IIED. Yet some external researchers express that the collaboration would have benefited from more interaction and clearer leadership from the side of IIED. Some academic research collaborators have commented that IIED's high ambitions for research that build local capacity and give priority to engagement with stakeholders in combination with tough requirement to bring in new funding creates a stressful situation and high/unrealistic expectations. This can impact negatively on quality of the contributions from IIED researchers. Collaborating researchers express general and high appreciation for IIED's capacity to publish and communicate research findings. IIED researchers are generally content with the research collaboration. Some IIED researchers find that there is insufficient time for capacity building in some projects and that it can be challenging to identify relevant research capacity. More information on various impacts of the research collaboration, including direct impacts on the collaborating researchers is presented in the chapter on impacts. See also Box 5.

#### **Box 5. Perceptions on research collaboration by external stakeholders**

"They engage in ways that strengthen our capacity, and bring new methodologies and lessons from other parts of the world. Others don't have the same attitude to interact in a fair way with thinkers, doers and academics from developing countries"

"It was a consultancy work, useful but no different from any other consultancy work"

"Workshops were very useful but too few. The interaction with IIED was good but I would have welcomed more support and more academic focus to strengthen the rigor of arguments"

"They do good work, but are a bit stressed given the kind of institute they are. It is hard for them to concentrate on research as they are constantly hunting for money"

"They could make online invitations for partners to participate in seminars with IIED environmental economics group"

#### **Cross group collaboration**

Cross group collaboration is being stimulated by IIED's top management. The ongoing development of a new strategy puts even more emphasis on the issue with the proposed umbrella initiatives that cut across IIED's different groups. The environmental economists at IIED spend a significant part of their time working with other parts of the organisation. More substantial collaboration is mainly concentrated to the Natural resources group (e.g. Poverty and sustainable development impact of REDD Architecture) and the Climate change group (e.g. Collaborative research on the total economic value of pastoralism).

The level of interaction within other parts of the Sustainable Markets Group, such as Small-scale producers in markets and Investments appears to be small while the engagement with Fair and inclusive green economies is larger. The environmental economists are also asked to provide advice related to economics more broadly on various projects and questions. Although cross group collaboration is promoted in principle, in practice there are incentives to share funding within the group rather than bringing in people from outside the group. This is not unique for IIED's environmental economics work. What appears to be particular for environmental economics and economists is the tension the discipline can create. The Result Report 2012-2013 in the section on 4.6 Economics of Climate Change includes a section that points in this direction "Second, the methodological approach of economists has been largely viewed as antagonistic to other approaches done by different non-economic experts. However, economists' approaches should be viewed as complimentary and supportive of other disciplines' way of doing research. In such a way economics will easily feature in almost all sectors where IIED is currently doing research be it mining, climate change, energy forestry and even urban settlements and water."

#### **Interviewee's perceptions**

With some exceptions there is agreement on the usefulness of cross group collaboration. IIED staff working with the environmental economists are generally positive to the contributions made by the environmental economists. Having multiple disciplines involved in early discussions to shape research ideas is seen as particularly useful. However the mechanisms for making this happen are not clear and many underline the multiple barriers to increase collaboration. Of these financing and

time constraints are the most important factors. The new strategy is expected to address these challenges but it will also require recruitment of additional staff.

There is a divide between those who argue for more “mainstreaming” of environmental economics analytical methods, policy instruments and thinking in other work streams, and those who argue for the need for more specialized research to increase the impact of IIED’s environmental economics work. IIED’s environmental economists welcome more collaboration on the one hand but on the other express fears of being pulled in all directions leaving little space for more focused work. Interviews with IIED staff reveal a clear need for an inclusive and open internal discussion on the role of economics and economic approaches to be applied by IIED. For instance a couple of interviewees made reference to earlier periods at IIED when more vocal economists had contributed to create tension within the organisation. As one interviewee put it, “they saw economics as the voice of reason.” Some interviewees, both external and internal have questioned why the environmental economists have not engaged more in the green economy agenda.

#### **Box 6 Perceptions on cross group collaboration by IIED staff**

“I appreciate our collaboration. I would like to have the environmental economists making an impact as economists with a much greater engagement by them in other groups work or joint work.”

“I use their work in mine, I often make reference to their work” “I would be happy to do more cross sectoral work but not to become a service provider only. The joint fisheries project in Bangladesh is a great case that builds on the strengths of other parts of IIED”

“Not all at IIED have a high esteem for economists or use of economic instruments”

#### **Evaluators’ assessment of research collaboration and cross group collaboration**

Collaborating researchers appreciate working with IIED. We interpret the different views on the quality of research collaboration as a reflection of the different characteristics of the work for which IIED has been able to secure funding. Capacity building activities and technical support provided are appreciated although there in many projects is demand for even better guidance, more feedback, more internal and external/independent peer review. It is clear that IIED cannot always fully live up to the ideals of collaborative research or meaningful engagement. Funding constraints in some projects hampers reaching the same level of collaboration, learning and engagement as IIED typically aims for. When seeking funding, IIED should try to influence the design to increase the chances of strengthening capacities, stimulating debate and informing and influencing decisions. Formulation of bigger research projects, particularly in the field of climate change has been listed as a top priority in the Results Reports<sup>7</sup>. Building stronger links with the Climate change group has been a key strategy but the point seems to remain valid.

<sup>7</sup> IIED Results Report 2010-2011,

Cross group collaboration is an important part of IIED's work. The environmental economists are making important and well appreciated contributions to other parts of IIED but specifically to the specific projects within NRG and the CCG. Collaboration with other parts of IIED appears to be too low given the importance of multidisciplinary work for understanding and solving key development challenges. Learning across groups and disciplines is critical. Organisational barriers (funding, time constraints), appears to be key causes. In addition collaboration also seems to be reduced as a result of different views of the role of economics and economic tools in achieving sustainable development and the circumstances when environmental economics should be applied. It appears to be many diverging views and possibly misinterpretations about pros and cons of economic tools and the interface between economics, politics and sustainable development. We welcome SMG's initiative to host a series of "economic provocations", where external economists are invited to bring their perspectives to fuel an internal discussion on future priorities for IIED's economics work. Currently it appears to be an overemphasis on work on economic instruments for improving the management of ecosystems in an equitable way. This has also meant less attention to cross sectoral work or high level policy engagement on green economy or green growth.

### 3.6 Assessing impact

Doing rigorous research in collaboration or close contact with intended users of the information increases the chances of having an influence at local level. For influence at international level the importance of academic rigor becomes even larger. In the design phase projects managers need to consider tradeoffs between impacts at the national and international level. Being useful at national level requires attention to country context, who to involve and if and how to align the research to ongoing policy processes etc. Influence at international level and opportunities for journal publication may require more focus on applying the same methodologies in a number of countries at the same time.

IIED has very high ambitions as indicated in the strategy and workplans for these specific research themes. Box 7 gives an overview of the targets for 2014 for the sections Tackling market failures and the Economics of climate change. Elaborated theories of change and strategies describe IIED's thinking and work plans also include descriptions on how results could be assessed.

#### Box 7. 2014 targets for 4.3 Tackling market failures and 4.6 The Economics of climate change

##### 4.3 Tackling market failures

Target 1: our cutting-edge analysis of social impacts of market-based incentive mechanisms influences policymakers in designing and implementing such mechanisms, and civil society organisations in their advocacy for change.

Target 2: Limits and potential of economic valuation examined for a number of ecosystem services, and ways forward for improvement advocated.

Target 3: Our work on pro-poor incentive mechanism design and impacts influences national and international policy and is used in designing REDD mechanisms to ensure co-benefits of development.

Target 4: Civil society groups indicate that our analyses and recommendations have helped them achieve their objectives, for example for community-based ecotourism.

Target 5: Capacity building and guidance materials on valuation and incentive mechanisms are widely used by governments, civil society and academic institutions and contribute to forming policy positions, designing incentives, as well as higher capacity.

##### 4.6 The economics of climate change

Target 1: A range of economic approaches — ranging from local to macro — that are applicable to climate change and are used by a wide range of stakeholders

Target 2: A group of economists from developing countries collaborating with us and capable of undertaking credible economics of climate change analyses and policy support.

Target 3: At least five country case study reports and 10 briefing papers written and published.

*Source: IIED*

The targets listed above are very demanding and progress is not easily monitored. This may explain why the section about how results could be measured was excluded from IIED's 2013-2014 work plan. The annual reporting includes reports on yearly progress, comparing planned result with actual result and an assessment on progress towards the 2014 targets.

Careful reading of the annual reports highlights the difficulties of having very ambitious targets with relatively small funds to meaningfully achieve them. The reported results are relevant but not always in proportion to the scope of the target. The publication of a handbook on socio economic evaluation of the costs and benefits of pollinator friendly practices for FAO referred to in several results reports, and teaching at the University of Edinburgh must be seen as a minor component to Target 5, See Box above.

### **Interviewee's perceptions**

#### *Contributions to policy debates at local, national or international level*

Both internally and externally IIED's work on PES schemes are considered to have made a contribution to the international and national debate on PES. The interviews have confirmed that IIED has had some direct influence on national policy making and redesign of PES scheme. This is the case in Costa Rica where collective and persistent research efforts with a number of national and international researchers and direct contacts with the National counterpart FONAFIFO has contributed to policy change. The change came in response to revealed opportunities to improve the distributional aspects for the scheme. IIED has consistently contributed to voice the need for greater attention to social aspects of both PES/REDD+. The selection of IIED researchers to lead the work on social impacts of instruments and enhancing political legitimacy in the 2010-2014 EU policy mix project<sup>8</sup> can be seen as an indication of appreciation for IIEDs capacity on these issues. The project focus on assessing the role of economic instruments in policy mixes for biodiversity conservation and ecosystem service provision. The change came in response to revealed opportunities to improve the distributional aspects for the scheme. IIED has consistently contributed to voice the need for greater attention to social aspects of both PES/REDD+. The selection of IIED researchers to lead the work on social impacts of instruments and enhancing political legitimacy in the 2010-2014 EU policy mix project<sup>9</sup> can be seen as an indication of appreciation for IIEDs capacity on these issues. The project focus on assessing the role of economic instruments in policy mixes for biodiversity conservation and ecosystem service provision. In Uganda parliamentarians participating in workshops on REDD+ requested the National REDD+ focal point to consider research findings in the development of the National REDD strategy and in international negotiations. Specific points related to the importance of secure tenure and evidence of how communities want to be compensated for participating in REDD+ programs.

<sup>8</sup> [http://policymix.nina.no/Researchtopics/Socialimpactsandpolicylegitimacy\(WP5\).aspx](http://policymix.nina.no/Researchtopics/Socialimpactsandpolicylegitimacy(WP5).aspx)

On behalf of the Least Developed Countries Group within UNFCCC IIED has assessed the impacts of introduction of a levy on air passengers as a source of adaptation finance. This was originally an idea from the Maldives. IIED together with partners have provided input on several occasions and thus contributed to debate during climate negotiations. The continued interest from the LDC Group is an indication of the usefulness of the work.

An anecdotal example comes from a partnership organisation who underlines IIED's contribution to better informed discussions on the role of pastoralism for economic development. IIED has helped nuance the perception of pastoralism as an issue of minor economic and social importance. The specific work on Total economic valuation of pastoralism is only one part of IIED's work on pastoralism but bringing in the economic aspects was reported to be of great importance. Working long term, developing national capacity and adding different pieces of work related to pastoralism to another was seen as the most important factor for having an impact. The environmental economics work on pastoralism is thus one of several components and cannot be assessed in isolation.

#### *Influence on research, use of methodologies*

IIED is not seen as an academic institution which influences the expectations on the organisation's contribution to the academic research frontier. The persistent focus on social aspects of various policy instruments has developed into a niche. Several researchers report having increased their understanding of the social implications of various environmental economics policy instruments by working with IIED, including participants in the EU policy mix project. Several academics mentioned that IIED has made a contribution to the understanding of how to calculate opportunity costs which is an important element for instance in understanding the functioning of PES and REDD schemes. Several external academics mention that synthesis reports are useful and appreciated by researchers. Examples include *Silver bullet or Fools' gold- a review of markets for forest environmental services and their impacts on the poor*, or *All that glitters – a review of payment for watershed services in developing countries* but it should be noted that these were made in earlier strategy periods and this period has not includes work of similar magnitude.

IIED has contributed to the development of a number of guidelines, manuals or collections of best practice. Successful dissemination of such document could lead to tangible results. However, not much is known about the actual use of the manuals. Download statistics provide an indication of interest but is not necessarily an indicator of the usefulness of the guidance. Typically funding is available for the production of the manuals and to some extent the dissemination. Evaluations of how manuals are used are rare.

#### *Influence on capacity development*

Collaborating researchers, particularly researchers outside of OECD, note that IIED has contributed to strengthen their research capacity. In some cases it has had a significant impact on their own research or on the research of their students. Many researchers say that the collaboration has expanded their research network for instance by creating useful ties with other international researchers. To a varying degree the researchers have made use of the network after the project ended. Collaborating with IIED has often resulted in better access to policy networks or processes including invitations to engage with policy makers at national level and nominations to governmental committees. It has also often led to offers to take on consultancies and in some cases made it easier

to access funding for new research. Even smaller research projects on topical issues have brought about such positive outcomes. For some, the link to IIED has been helpful for establishing research collaboration with national universities. Many collaborating researchers point to the mutual benefits from research collaboration. Working together provides an opportunity for IIED to ground their work.

### **3.7 Communication and dissemination**

IIED disposes of a range of channels for outreach including the website, various forms of publication formats, blogs, opinion articles, press releases, and side events at international meetings. Work undertaken in one part of IIED can also feed into other parts of the organisation and the work of IIED's partners and platforms such as the Community Based Adaptation conference. Other opportunities for communication during the specific research process include stakeholder workshops, presentations at academic or non-academic conferences and personal meetings. As explained above IIED has a deliberate strategy to work with local partners, involve various stakeholders in the research process and to inform civil society of important findings.

IIED communication department assist researchers in writing accessible publications such as briefing notes, Reflect and Act. Target groups for specific projects differ but generally include a broad mix of researchers, CSO/NGO's, development agencies and international, national and local policy makers. Through the use of press releases IIED also seek to reach out to media and thus create interest in research findings. IIED researchers are also supported in communicating via blogs, or in writing opinion articles. Although websites, briefing notes and press coverage is important IIED staff stress the importance of personal networks and face to face meetings, memberships in advisory groups etc. for successful outreach and impact. Last but not least collaborating partners often play an important role in dissemination at national level, in particular those that are long term partners with IIED such as TNRF, BCAS and FAS.

An overview of the publications on PES/REDD+ and the economics of adaptation during the strategy period is given in Table 2. Four pagers, briefing papers with policy pointers are typically the most common output. Journal articles, targeting the academic research community, require more investments and are the least common output.

**Table 2. Number and type of various IIED publications 2009-2013**

	2009	2010	2011	2012	2013*	Total
SMG working paper	1	2	3		2	8
Briefing paper	2	3	8	4		17
Other IIED publications	2	3	2	5	1	13
Partner papers		3	2	3	2	10
Journal articles			1	4		5
External publications (UNEP, World Bank etc)	11	1	4		2	18

Source: IIED \*2013 includes reports published by between January and August.

Increasingly donors are requiring more focus on dissemination with follow up systems to monitor aspects like press clippings, circulation of newsletters, conference presentations etc. Download statistics provides an indication of how successful IIED is in reaching out. As shown in Table 3 the average number of downloads range between 350 and 3000 depending on the type of publication.

The most downloaded document, *Incentives to sustain forest ecosystem services- a review and lessons for REDD* was a collaboration between NRG and SMG and co-authored with CIFOR and WRI. This document figures among the top list of all IIED publications since 2006.

**Table 3 Download statistics for environmental economics publications**

	Number			Share	Share
		Top download	Average download	Europe/North America	Rest of World
SMG working paper	9	5617	1409	54%	46%
Briefing paper	19	1814	591	43%	57%
Other IIED publication	15	14375	3063	60%	40%
Partner papers	10	1068	346	55%	45%

Source: IIED

A majority of briefing papers are downloaded from counties outside of Europe and North America. Middle East account for 24% of the downloads and Africa and Asia/Pacific account for 7 % and 6 % of downloads respectively. For other publications in the table the share of downloads outside of Europe and North America range between 40 and 46%.

Other website statistics could provide additional indications of the interest in IIED's work and in how effective the organisation is in reaching out. Examples could include number of visitors per day, nationality and professional profile of visitors, time spent on the website, number of clicks on the newsletters articles etc. Knowing that much effort is being given to improve these systems we have not requested additional information on website statistics. IIED also has an active press department. The ambition is to have a good, updated list of media contact around the globe to be informed by outreach of IIED's diverse outputs and findings.<sup>10</sup> Although there are no internal benchmarks for success in press outreach IIED's press officer assesses that the environmental economists have been relatively successful. See Box 8.

#### Box 8. Media outreach

Between April 2009 and September 2013, the work of IIED's environmental economists appeared in at least **154 media reports in at least 29 countries** (Bangladesh; Brazil; Brunei; Canada; Costa Rica; Denmark; Hong Kong; India; Indonesia; Ireland; Israel; Italy; Japan; Kenya; Malawi; Mexico; Namibia; Nigeria; Philippines; Singapore; South Africa; Switzerland; Tanzania; Uganda; United kingdom; United States; British Virgin Islands; Zambia; Zimbabwe) Coverage varied between projects – in part because only some parts of the total work had assistance from IIED's central communications team with press releases or opinion articles.

- Stakeholder-focused cost-benefit analysis in the water sector — **10 media mentions**
- Planning and costing agricultures's adaptation to climate change — **41 media mentions**
- Assessing Preferences for compensation packages using the discrete choice method: the case of Bolsa Floresta program in Amazonas, Brazil — **1 media mentions**
- Fair and Green? Social impacts of payments for environmental services in Costa Rica — **7 media mentions**
- Payments for hilsa fish (*Tenualosa ilisha*) conservation in Bangladesh — **6 media mentions**
- All other work by IIED's environmental economists — **99 media mentions**

Source: Mike Shanahan, IIED

<sup>10</sup> All mentioning of IIED's name in the printed press is monitored daily and can often be traced to specific projects. It should be noted that the data does not distinguish between front page materials or small articles.

### Citation analysis

The total number of publications is 81. A quarter of these are cited according to Google Scholar and one publication alone *Incentives to sustain forest ecosystem services: A review and lessons for REDD*, co-authored with CIFOR and World Resources Institute, accounts for almost half of the total number of citations, 111 out of 232. The other publications are on average cited 6 times. The five most cited publications are a mix of IIED discussion papers, joint publications and journal articles. See Table 4.

**Table 4 Most cited publications**

Most cited publications	No citations
Incentives to sustain forest ecosystem services: A review and lessons for REDD	111
Who Benefit from Malawi's Targeted Farm Input Subsidy Program?	14
Fair miles: recharting the food miles map	13
Climate change adaptation in developing countries: some issues and perspectives for economic analysis	13
Do Fertilizer Subsidies Crowd Out Organic Manures? The Case of Malawi	12

Source: Google Scholar

As a reference *Silver bullet or Fools' gold- a review of markets for forest environmental services and their impacts on the poor*, from 2002 and *All that glitters – a review of payment for watershed services in developing countries* from 2008 have been cited 826 and 121 times respectively. Google Scholar Citations and Research Gate offer proxies for individual researchers' productivity in terms of academic papers and impact in the academic community. One of the environmental economists stands out significantly as being heavily cited and productive in this respect.

### Interviewee's perceptions

There is almost uniform appreciation among IIED staff and collaborating researchers for IIED's communication department and skills in dissemination. Both the environmental economists themselves and research collaborators appreciate support given, speedy publication, dissemination and IIED's platforms such as COP side events to communicate research findings. IIED adds value by providing complex information, such as the challenges for Pro-poor REDD+ in an accessible format. However several respondents, including international academics are not aware of IIED's work or only know of one specific research project. This illustrates that reaching out is challenging. It is also a signal of the wealth of research that is generated within environmental economics today. Lack of funds for dissemination and follow up is seen as a problem by some IIED researchers and collaborating researchers, particularly for smaller assignments. Several argue that it is desirable and possible to create space for more communication but the opposite view is also heard, there is a risk that a focus on communication comes at the expense of time spent on generating the evidence. Both IIED staff and external stakeholders see participation and presentation at academic conferences as an opportunity to increase outreach and impact. Some IIED staff would welcome more clarity and strategic reflection on who to specifically target with environmental economists work in order to improve impacts. Local partners are seen as very important for engaging at the country level. See Box 9.

**Box 9. Perception on communication and dissemination**

"They have a very strong communications department and uses various sorts of outreach activities and events that allow us to reach out to audiences we would never have reached otherwise. They have also inspired us to develop similar methods." External stakeholder

"Although projects don't always come with a budget for dissemination we should be able to make the case for it for donors." IIED staff

"They are relying on local partners to reach out locally. This makes sense." External stakeholders

"How can it be that we have so few clear messages to deliver after working on the topic for decades" IIED staff

"I don't know what kind of work IIED is doing on environmental economics" External stakeholder

**Evaluators' assessment of impact**

Table 5 provides a brief overview of statements in the IIED result reports and the evaluation team's assessment of impact.

**Table 5. Claims and assessment of impact**

Result Report	
Contribution at national level to the revision of Costa Rica's payment for ecosystem services that give increased attention to social aspects	Confirmed through interviews. Changes have been introduced to improve social targeting and monitoring. Level of contribution can be said to be relatively high indicating that IIED is one of relatively few actors with influence on this where other actors include CATIE, World Bank and the user FONAFIFO.
Contribution to testing of choice experiments that inform design and adjustment of Bolsa Floresta payment for ecosystem services	Confirmed through interviews. IIED has primarily contributed by bringing information from other PES programs and a methodology to solicit people's preferences for compensation. This initial study has triggered continued analysis to better adapt compensation schemes to improve the functioning of the system.
Contribution to the international debate on social and distributional aspects of PES/REDD+	Confirmed through interviews, document review and citation analysis. IIED is one of several voices and has used its strong communication capacity efficiently. IIED has further developed this niche and has become the key partner to work on social aspects in a large EU project related to policy instruments for biodiversity. IIED's level of contribution is difficult to rate.
Contribution to debate in climate negotiations on opportunities to use air passenger levies as a mechanism for adaptation financing	Confirmed in interviews and through the repeated requests for additional support from the LDC group including a presentation in Doha. In the IISD bulletin from Doha Climate Action Network argued for the use of air passenger levy. However the initiative did not originate from IIED. IIED has undertaken the analysis in partnership with others.
Contribution to the development of various tools such as stakeholder focused cost benefit analysis for the water sector for use in various	Confirmed through interviews. Some uptake of the methodology, request for support and some use of findings from case studies in negotiations between government levels. IIED's contribution was relatively high as being the project leader and providing support to case study teams.

countries <sup>11</sup>	
Contribution to stronger capacity among economists in developing countries to apply various tools and methodologies for cost effective and inclusive adaptation	Confirmed through interviews. Collaborating partners have increased their capacity, gained access to policy processes and research networks. Some confirmation of influence on their research agenda. IIED's contribution has been relatively limited as several projects have had a short duration.
Contribution to the green economy debate by giving space to voices from developing countries	Confirmed through interviews and participation in Poverty Environment Partnership (PEP) meetings. IIED through the GEC has led the work on national dialogues and to international fora. IIED has also given extensive inputs to PEP discussions on green economy and provided input to OECD work on green growth. The influence in the latter case was limited. UNEP refers to GEC as "instrumental in focusing the global political agenda on the issue of transitioning to a green economy".

Source: Evaluation team, see also Annex 3.

As illustrated above it has been possible to validate a number of the claims made in the results reports. IIED's work on environmental economics is to a varying degree having an impact at local, national and international level within specific segments of environmental economics spectrum. IIED environmental economists work has a particular strength in working with partners at the micro level, synthesizing and bringing lessons learned to national and international levels. We assess IIED's environmental economics work to have made the largest contribution in bringing in the social aspects in evaluation and design of incentive based instruments such as PES/REDD+. Through persistent engagement and with additional evidence from local level IIED has helped inform the international debate. Through long standing relationships with national partners and other researchers IIED has been able to influence large schemes in Latin America and also some NGO led initiatives elsewhere.

When it comes to the economics of adaptation the research questions are scattered over a broader field from economic impacts of climate change, methods for assessing adaptation options, the economic value of pastoralism and impacts of an air passenger levy. In addition the size of the projects has generally been smaller than work on PES/REDD and the economics work more often integrated in IIED's in other work within CCG. IIED has made a contribution in all these respects but broader impacts on debates or tools outside the specific projects sphere appear to be more limited. This could be an illustration of the difficulty of mainstreaming where impacts may be important but are less visible or easily traced.

IIED has also contributed to capacity building and strengthened policy and research networks for various collaborating researchers and institutions. It has to some degree influenced the research agendas of academic institutions and civil society organisations. Moreover the results of collaborative research have also helped inform national debates for instance on the impacts of climate change on agriculture and the contribution of pastoralism to the economy. As an example the work on stakeholder focused cost benefit analysis is used by local government in Nepal in negotiations with higher levels of government. However, for some more ad hoc projects with shorter

duration, with limited elements of capacity development and that are less adapted to country context, impacts are small.

Findings emanating from IIED research but often also drawing on other researchers are communicated in effective ways to government's, international NGO's, national civil society organisations, donors and academic institutions. IIED's contribution to the academic research frontier is limited. However by doing research at the micro level, particularly looking at equity issues, synthesizing case studies and through efficient communication of complex issues and findings IIED makes a useful contribution also to the academic research community.

## **4. Lessons for future work on economics within IIED**

The interviews have provided valuable input for IIED's future work and reflected on strengths, weaknesses and lessons for future work. The points listed here have been mentioned in relation to relevance, quality, collaborative research etc. The intention has been to refer specifically to the work on environmental economics. In practice many of the strengths and weaknesses discussed relate to IIED and its partners more broadly.

### **4.1 Strengths**

Based on the interviews and review of documents we assess that IIED's work on environmental economics has the following key strengths;

- an established niche in understanding the social aspects of incentive based economic instruments for environmental management such as PES/REDD, an area where funding has been available;
- ambitious and competent group of researchers working on various aspects of the green economy agenda and linked to other parts of IIED such as CCG and NRG;
- access to a number of strong academic environmental economic researchers interested in working with IIED. This also includes close relations with the Green Economy Coalition and established cooperation with World Bank Waves initiative, UNDP-UNEP Poverty Environment Initiative and others;
- productive and long standing relations with a number of partner organisations in countries like Bangladesh, Tanzania, Nepal and Brazil which creates opportunities for mutually beneficial research, capacity building and engagement in policy processes at national level;
- access to IIED's credibility and broader structural and intellectual capital including capacity to engage at local, national and international level, an efficient communications department and a number of IIED platforms that can be used for outreach such as side events at COPs, Community Based Adaptation network conferences etc.

### **4.2 Weaknesses**

Based on the interviews and review of documents we assess that IIED's work on environmental economics has the following key weaknesses;

- IIED's high profile work on incentive based environmental policy instruments such as PES/REDD+ is a rather narrow subject area and might be marginalized in the years to come

- limited staff resources and insufficient incentives for scientific journal publication in the face of multiple needs for high quality research processes, rigorous outputs, dissemination, meaningful mainstreaming of environmental economics within IIED and fund raising.
- lack of substantive funding that allows for the development of complementary strong research niches outside of PES/REDD, in particular related to the economics of adaptation. Multiple projects create high transaction costs and contribute to a less strategic programme;
- lack of a shared vision of the role of economics and environmental economics within IIED;
- lack of a willing and clear "*economic voice*" for communication internally and external high level policy engagement on issues like green economy and green growth.

### **4.3 Constraints, internal and external to improving performance**

The interviews have revealed a number of internal and external constraints to improving the performance of IIED's environmental economics work.

IIED staff is highly motivated but many find it challenging to combine the role of researchers, project managers, capacity developers, fund raisers and communicators. Lack of time is a constraint and stronger incentives are needed to increase the level of cross group collaboration. When it comes to incentive systems the reliance on individual researchers bringing in their own financing does not favor cross group collaboration. Sharing financing with other parts groups in the organization does not come by itself, collaboration happens when there is trust and willingness to invest. We argue that there is a need to further improve the academic quality of some of IIED's work. Access to some IIED funds for writing articles is much welcomed but need also be encouraged through other means. Some overly ambitious targets in the work plan could also benefit from revision to better fit with what can be achieved with limited resources.

The main external constraints are found to be availability of funding and to a lesser extent mismatch between funder research priorities and IIED priorities. Shortage of funding for strategic projects forces staff to spend more time on fund raising activities such as responding to tenders .In addition it could even lead to acceptance of less strategic projects that do not contribute to knowledge generation in IIED's focal areas or build on established networks for collaborative research. It also raises transaction costs for several smaller projects on the economics of adaptation. Insufficient funding levels make it difficult to achieve all objectives of capacity building, meaningful engagement during the project, communication, let alone academic publishing.

Donor funds and research grants typically target specific research areas. Generally there is a tendency to favor new areas and methodologies. PES/REDD are examples of such relatively novel areas for which funding is available from several sources dedicated to Biodiversity or Climate change. It may be more difficult to attract funding issues like improving rule of law, transparency, accountability, enforcement, impacts of investments, tenure systems, choice of policy instruments for environmental management etc. This could lead to overemphasis of some research topics and neglect of others.

## 5. Recommendations on future direction

This section builds on the interviews, written input from donors, the horizon scanning document and the reviewers own experiences. It identifies areas for improvements and includes recommendations and issues for IIED to consider in its future work related to environmental economics and economics more broadly.

### 5.1 Interviewee's suggestions on future research priorities

Not surprisingly interviewees have very diverging views of future environmental economic key debates, research priorities and their implications for IIED. Respondents' professional background naturally influences their perspectives and preferences. The main different strands of ideas are highlighted below. Firstly, there are many calls for climate adaptation, cost effective climate resilience in both rural and urban areas, promoting adaptation co-benefits of mitigation, understanding drivers and obstacles for adaptation including risk management, and equity in adaptation finance. Secondly many call for more macro level issues e.g. impacts of low carbon development on local resilience, impacts of a green economy, beyond GDP debates including subjective well-being and promotion of natural resource accounting. Thirdly many advocate for continued attention to equitable incentive based systems such as PES/REDD, their application in new areas such marine areas and more active engagement in development of such projects. Last but not least many call for more multidisciplinary work, more attention to political economy and governance aspects, closer involvement with national policymakers on practical and feasible economic approaches.

Both internal and external stakeholder suggest that IIED should not overplay the opportunities of market based solutions for ecosystem services and suggest greater care on how the work is framed. There are also calls for establishing closer ties with academic partners and networks as a means to stay updated on the research frontier but also for improving capacity building and the quality of research. New technologies provide greater opportunity for coaching, joint seminars, streaming of lectures etc.

There are no clear patterns emerging. Differences in opinions are as large outside of IIED as within. There are also differences among the environmental economists on the future agenda and the choice between greater openness to broader economic and governance questions versus more narrowly defined environmental economic tools.

#### Box 10 IIED staff suggestions on future priorities

"So far we are only bottom up on the Green economy agenda, this should change" Non environmental economist

"We need to engage in mainstream economics work, we lack capacity and have to recruit" Non environmental economist

"Understanding the micro level equity issues of economic instruments and reforms is a good niche for us and where we can work most effectively" Environmental economist

"We should leave REDD+ and move to more practical and innovative areas" Environmental economist

"We will see a lot of mitigation, making sure mitigation action provides adaptation co benefits is a key area"

Non environmental economist

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## 5.2 Donor suggestions on future priorities

Three of IIED's frame donors have provided written input on their perception of what environmental economics topics/issues are to be given greater attention in the coming 5-10 years. As previously stated donors assess IIED environmental economics research to be relatively well aligned with donor priorities. The respondents from the donor agencies also underline the importance of a strong poverty focus. Although there are differences in preferences among the donors there is generally a continued interest for valuation of natural capital, payments for ecosystem services and economics of climate change. There is also a strong call for broader issues and work on the food, energy and water nexus to increase the resilience of communities and households. In line with this one donor stresses the importance of a landscape approach for understanding and adequately investing in food and energy production. Other themes raised include climate financing, research on social and technological innovations for improving energy and water access, and greening of private sector investments more generally.

When looking beyond thematic focus one donor stressed the need for IIED to identify its niche and engage in relevant partnerships. Another donor suggested that IIED should develop stronger links with its partners' e.g. frame donors' development programmes as a way to increase learning and use of knowledge.

## 5.3 Evaluators' recommendations for future work

Looking ahead towards the transition to a climate resilient, inclusive green economy there are a number fundamental challenges requiring equitable, feasible and cost effective solutions.

Key debates in the next five to ten years include:

-Who should pay? Fairness and distribution of costs for climate action and protection of other global public goods between current and future generations, between countries and groups in countries;

-What works? Efficiency, equity and political economy aspects of various policy instruments and approaches, governmental or non-governmental, for a climate resilient green economy, including climate finance, in different country contexts and rural and urban settings;

There is an apparent risk for insufficient and delayed action. There is also a risk that policies will fail to properly consider equity issues and benefit strong economic interests.

While UNFCCC negotiations carry on and discussions on the Post 2015 agenda, SDG's and Green Growth/Green Economy continues, individuals, communities, businesses, investors and governments are making daily decisions building on current norms, regulations or lack thereof. IIED has the dual challenge of dealing with current realities and influencing debates of what is yet to come. IIED's work on environmental economics is a small part of this puzzle but framed as economics more broadly it becomes a much larger part. The recommendations below have not been able to separate them entirely.

Moving forward IIED has to make strategic choices relating to economics more broadly and environmental economics specifically. The first question relates to how much IIED is willing to invest in environmental economics or perhaps framed differently. How much is IIED willing to invest in economic capacity, tools and methods for change towards sustainable development? Other key choices relate to thematic and geographic focus, mainstreaming versus specific environmental economic projects, of providing a platform for knowledge or being a knowledge provider, and how to manage the balance between practical engagement and academic rigor. There are also questions about who to recruit, how to stimulate learning, how to organize the work and who to partner with.

IIED's Strategy framework provides direction for many of the questions raised above suggesting a much stronger focus on cross group collaboration, less focus on research and Latin America, more practical engagement and attention to government while maintaining the ambition to work both locally and globally. In addition, one of the umbrella initiatives speaks directly to environmental economics *climate-resilient inclusive green economies* but environmental economics is of course relevant to all three initiatives.

Our recommendations for the way forward has considered the direction given in the strategy framework but is not restricted to it. The first four relate to what to do and the following four make suggestions on how.

The first four relate to what to do and the following four make suggestions on how.

**1. Promote a broader deployment of environmental economics.** It is timely to start speaking of economic tools and approaches for climate resilient and green economies. Environmental economics practitioners are well versed for this. Currently a significant part of IIED's environmental economics work comes from the angle of protecting environmental services equitably. Using environmental economics tools and approaches more broadly opens for more multidisciplinary work with other entry points such as access to natural resources or energy, diversification etc.

**2. Remain focused on the micro level.** Collaborative research bringing important lessons from the micro level to national and international arena is a key strength of IIED. The niche role on PES/REDD+ is likely to become too narrow but lessons and methods for assessing and promoting social and environmental outcomes can be applied for other relevant policy instruments for climate resilience and green economy. The investments needed for undertaking credible macro-economic work on green economy is probably non justifiable without a very radical change to current practice. Should IIED decide to pursue macro-economic analysis on green economy issues, there is a need to link up more strongly with organisations such as the Global Green Growth Institute, the World Bank, African Economic Research Consortium, or reputed departments of economics doing work in this area.

**3. Strengthen the role as change agent.** Being an expert on all fronts is an impossibility. A comparative advantage of IIED is the ability to bring local evidence to global policy debates and to engage with multiple partners across broad topics. To maintain and improve its position, it is necessary that IIED strengthens its capabilities to act as a powerful change agent. This implies acting as a hub, or engine of activities, that brings in the required expertise and knowledge from global and local partners for change. It involves strengthening IIED's role as a matchmaker and facilitator of innovative initiatives (e. g. impact evaluation of devolution of rights in natural resource sector reforms; the role of ICT for sustainable natural resource management), and a natural partner for

dialogues and policy-relevant research at national levels that can be scaled up to sizeable and fundable research projects at global level that include the use of environmental economics approaches.

**4. Go for what is feasible.** Political context, power balances, the existence of functioning markets and other institutional factors heavily impact on the effectiveness of and probability of implementation of various policy instruments and approaches. IIED could be even more sensitive to local contexts when involving key players, such as multiple parts of government and civil society groups, in research processes in order to build capacity and enhance the chances of influence. Putting more emphasis on behavioral aspects would increase the understanding of human motivations and responses to risks and change and thus contribute to better, more feasible solutions.

**5. Deepen the internal discussion** IIED has initiated internal discussions on the role of environmental economics and economics more broadly. There is a need to deepen these discussions and to reach out to broader parts of IIED. Discussions should include: Is economics of today the problem, the solution or a mix of both? How could IIED apply and influence economic tools and perspectives to achieve its objectives? What role could/should environmental economics or economics more broadly play within IIED and how will this affect the focus and quality of its research work?

**6. Supplement internal capacity.** Recruit an internationally renowned resource person within the field of economics with a strong record of linking environmental and development issues (analytically, with significant practical experiences), preferably but necessarily an environmental economist. The person should possibly play a leading role in the umbrella initiative climate resilient inclusive green economies, visibly engage in internal and external debates on broad issues like green growth. In addition the person should be able to maintain current staff and attract others to build a critical mass of staff and skills within IIED.

**7. Work in partnerships.** Maintained strong relations with relevant partners in selected countries in the South is critical and suggests their closer engagement in the formulation of research agendas. A broader deployment of environment economics tools and approaches also requires even more partnerships with individual researchers and research networks/institutions as a way to both attract financing, to undertake the research and for more efficient capacity building activities. Potential collaborators include SANDEE, EEPSEA, and EfD<sup>12</sup> with good records of policy oriented research, policy engagement and capacity building. The increased focus on practical engagement and contacts with government underlines the importance of continued collaboration with global organisations/programmes interested in approaches that can increase capacity and political interest in change e.g. World Bank Waves, UNDP-UNEP PEI while involving civil society in the process

**8. Invest in rigor.** IIED needs to continue investing in rigor. Stronger internal incentives that promote and ensure increasing publication in scientific journals and conferences are suggested. Closer partnerships with leading research organisations, academics networks and individuals can help ensure rigor and strengthen IIED's research capacity and impact.

In summary, what is proposed above is an incremental but determined and consolidated improvement of current practices and not a radical change of course. IIED works in partnerships,

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<sup>12</sup> [www.efdinitiative.org](http://www.efdinitiative.org); [www.sandeeonline.org](http://www.sandeeonline.org); [www.eepsea.org](http://www.eepsea.org).

links local issues with national/global debates and policies, brings in feasibility aspects, works on various policy instruments for green economy and invests in academic rigor etc. The suggestion made is to strengthen these aspects even more. The main shift proposed is towards a broader deployment of environmental economics tools and for more multidisciplinary work. Combining this broader scope with a higher profile requires recruitment.

Getting urbanization right will be a fundamental challenge in the next decades. It has received very little attention in this review as few respondents specialize in urban issues but it is indeed an issue that merits further attention.

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## Annex 1 Terms of Reference

### An evaluation of IIED's Environmental Economics work - 2009 to 2013

Alastair Bradstock and Maryanne Grieg Gran

#### 1. Background to IIED's strategic review of economics

In April 2013, IIED started to undertake a review of its work on environmental economics, and economics more generally, with a view to informing future IIED strategy. This review is focusing primarily on the last five years, i.e the current strategy period (2009-14), but going further back where necessary. The review is also intended to be forward-looking, examining emerging challenges in sustainable development and the potential role for economic analysis.

The review is being carried out in five inter-related steps or activities, starting with an internal reflection by SMG economists (which was held in April), followed by a second reflection meeting involving other economists at IIED and senior researchers with an interest in economics, to be held in early September. The third step is an evaluation of IIED's work on environmental economics which will be conducted by an independent consultant(s). The fourth step is a process of debate and dialogue on current and emerging hot topics in the economics of sustainable development stimulated by some commissioned thinkpieces. A final synthesis report will draw conclusions from the preceding four steps and make recommendations.

These terms of reference relate to primarily the third step of IIED's review, the evaluation of IIED's work on environmental economics, but also incorporate a horizon-scanning activity on trends in environmental economics which will contribute to the fourth step.

#### 2. IIED's work on environmental economics

Environmental economics has been an important part of IIED's strategy since the mid-1980s when the London Environmental Economics Centre (LEEC) was established. LEEC, a joint initiative between University College London (UCL) and IIED, was headed by Professor David Pearce and produced 'Blueprint for a Green Economy' which was pivotal in bringing environmental economics on to the international and national policy agenda. In the early 1990s the formal partnership with UCL ended and LEEC was transformed into the Environmental Economics Programme (EEP) and fully incorporated within IIED. By this time environmental economics at IIED had become less concerned with ground-breaking theoretical analysis and more focused on applied research and capacity building conducted with partners in developing countries, in line with IIED's mission. EEP continued as a separate programme until 2004 when with the introduction of a group structure for IIED, it became a constituent programme of the Sustainable Markets Group (SMG). The beginning of the current strategy in 2009 saw the replacement of programmes by teams, each aimed at delivering a specific objective in the strategy.

While EEP no longer exists, environmental economics is still central to SMG's rationale and agenda. In the current five year strategy, three out of six objectives of SMG are related to environmental economics:

**4.3 – 'Achieving better recognition and quantification of market failures that affect the environment, and incentive mechanisms that are designed to correct adverse social and environmental outcomes',**

**4.6 – 'Supporting climate change action and policy in developing countries by focusing the analysis of the impacts of climate change and the value of adaptation on specific countries and hotspots within selected countries. We will also explore sustainable market practices that respond to a changing global climate'**

**4.5 – 'Ensuring green economy policy frameworks are pro-poor, resource efficient and respect ecological limits'.**

Over the last five years and beyond there has also been collaboration on economic research with other groups at IIED, particularly the Natural Resources Group (NRG) who also have economics expertise and the Climate Change Group (CCG). Since 2007, SMG and CCG have jointly appointed economists to work on economics of climate change.

As IIED initiates a process to develop a new five year strategy for the period 2014-2019, this is an opportune moment to review the institute's work on environmental economics, and economics more generally, and assess the contribution that this body of work has made and is making to sustainable development , and how this could be enhanced in the future.

Over the last five years of the current strategy, two key areas of IIED's work on environmental economics have been payments for environmental services (PES) and the economics of adaptation to climate change. Work on PES goes back to the beginning of the last decade when IIED published *Silver bullet or fools' gold? A global review of markets for forest environmental services and their impacts on the poor* (Landell-Mills and Porras 2002). This was followed by a number of studies of the social impact of PES schemes and action research on the potential of payments for watershed services. Work on PES in the current strategy has been a mix of the following elements:

- synthesis/review of literature on evidence on the potential of PES as a green economy/green growth policy opportunity, and as a conservation policy instrument (Policymix)
- tracking of developments in payments for watershed services ,
- specific research on the evolution of and social impacts of the Costa Rica national PES scheme,
- action research in the design of pro-poor PES in Uganda
- exploration of the application of PES to marine and coastal ecosystems.
- 

Closely linked to this has been a body of work on REDD+ and the promotion of co-benefits, in particular a collaborative project with the Norwegian University of Life Sciences, and partners in Brazil, Ghana, Tanzania, Uganda and Vietnam to examine how the design of REDD+ at different levels affects the potential for pro-poor impacts.

The work on economics of adaptation has been concerned with basing economic analysis on developing countries and their local practices in order to contribute to climate change policies that are more effective, equitable and sustainable. There have been two main themes contributing to climate change economic knowledge and methods and climate change adaptation financing. Some key projects include the following:

- Climate adaptation case study research with a focus on planning and costing agriculture's adaptation to climate change in a collaborative project with SEI and partners in Malawi, Nepal, Rwanda and Tanzania/
- Economics of water adaptation which developed a method for stakeholder-focused adaptation to climate change in the water sector and tested it in five countries.
- Action research on community-based adaptation in Bangladesh
- International air passenger adaptation levy
- 

### **3. Objective of the evaluation**

The consultancy has two objectives. The first is to evaluate IIED's environmental economics work over the last five years, focusing on the areas of PES/REDD+ and the economics of adaptation . The second is to make recommendations about future directions for IIED's work on environmental economics and in economics more generally over the next 5 to 10 years based on an analysis of emerging trends. Both of these will inform IIED's strategy deliberations.

#### 4. Tasks for the evaluation

##### a. Assess relevance in terms of

- Extent to which the work addresses important sustainable development challenges / issues at local, national and global levels and has adapted to new challenges in this field and sustainable development more generally.
- Relevance to policy-making
- International development donors' demand for information on environmental economics and economics more generally.

##### b. Assess quality of the research and analysis terms of

- The appropriateness of the methodologies used
- The contributions that have been made to theory and evidence - .
- The extent to which issues of distribution and diversity including gender and generation have been addressed effectively
- Analysis of policy implications and formulation of recommendations

The consultants and IIED will agree on 3-5 studies on which to concentrate this assessment.

##### c. Collaborative research partnerships and capacity building

- Assess the nature of research partnerships and collaboration with local research partners.
- Assess capacity-building activities and materials
- Assess the effectiveness of cross-group collaboration on economic analysis as well as within SMG (where relevant to the two areas of work identified).

This assessment will be linked to the research quality assessment and will primarily involve discussions with research partners and other stakeholders around collaborative partnerships and capacity-building involved in the 3-5 studies. This is unless there is some other capacity-building activity or collaboration not related to these studies that the consultants and IIED agree it would be important not to exclude or that is raised in some of the interviews conducted .

##### d. Communications and dissemination

- Visibility of outputs
- Efforts to engage policymakers and other stakeholders

##### e. Assess impact in terms of

- Overall scale and intensity of impact - direct and indirect, intended and unintended – of the products generated<sup>13</sup> as well as engagement with policy makers, practitioners and peers.
- Evidence of changed attitudes, behaviours, policy decisions and discourse, of levels of engagement and relevant activity catalysed – and the ways and extent to which these can be attributed to the economics work of IIED
- Evidence to demonstrate that the economics team has increased capacity of stakeholder / partner organisations.

It is acknowledged that assessing impact is challenging. In order to make this manageable within the budget and timeframe, this task will be based on examining IIED's own assessment of impact

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<sup>13</sup> In these two themes: 'Payment for Environmental Services' / 'REDD+' and 'the economics of climate change adaptation'

through review of reporting (annual results report, results retrospective, DFID performance review and other relevant donor reports), follow up interviews with IIED environmental economists and other staff and validation through stakeholder interviews and citation analysis.

e. Based on this assessment identify lessons for future work on economics at IIED in terms of

- Strengths and weaknesses in the various aspects of environmental economics work
- Constraints, both internal and external to improving performance
- Opportunities for improvement

f. Make recommendations

- Based upon the assessment of the research quality, research partnerships, , communications, , impact and lessons learned, make recommendations to IIED and its partners as appropriate.

## 5. Trends in environmental economics issues and debates

Conduct a horizon-scanning of trends in environmental economics issues and debates as they relate to sustainable development. This will inform the consultant's recommendations for future directions and priorities for environmental economics, and economics more generally, in IIED's strategy. This analysis will draw from interviews with a range of stakeholders as well as SMG/IIED, review of international conferences, regional and global summits (new topics addressed, calls for more research on particular issues) and review of recent, ground-breaking, influential literature. IIED will provide horizon scanning documents drawn up for the strategy as an initial input.

A short report will be prepared setting out key trends, and recommendations for priority economic issues to be addressed in IIED's new five year strategy and beyond.

## 6. Methods

Methods will include:

- Undertake a thorough review of all IIED environmental economics documentation with a particular focus on PES/REDD+ and the economics of adaptation. A Drop-Box folder will be created where all electronic material will be stored.
- Interview organisations that have partnered with IIED over the last five years.
- Interview IIED economics staff in SMG
- Interview IIED staff from other groups (natural resources, climate change and human settlements).
- Interview academics and practitioners in EE and economics more generally.

Above interactions are expected to be carried out through phone, email and web-based communications – only limited travel is expected.

## 7. Expertise of the consulting team

One or two consultants working as a team will carry out the evaluation. The consultant(s) will demonstrate to IIED's satisfaction that they can carry out these TOR and that they have the following expertise:

- Broad experience of sustainable development issues.
- Broad knowledge of environmental economics especially Payment for Ecosystems Services, REDD+ and economics of climate change adaptation.
- Experience of undertaking evaluations in the field of environmental economics or of being on project advisory boards/steering committees.
- Demonstrable ability to produce relevant high-quality reports.

## **8. Expected outcome and timeframe**

### **Work plan**

The consultant(s) will produce a draft work plan, with a timetable, budget, and list of internal and external people to be contacted during the evaluation. This will be drawn from a list provided by IIED as well as others of the consultants' choosing. The workplan will indicate the questions that will be put to different categories of respondent. Feedback will be provided by IIED before it is finalised and agreed with the consultants.

*Draft and final report will include:*

- Two pages outlining the key conclusions and recommendations for IIED's Director and Strategy Team.
- A three page executive summary.
- No more than 30 pages for the full report which will include a section that provides a clear description of the approach used both to gather and analyse information.
- Annexes and references to be appended to the full report as appropriate.
- An accompanying PowerPoint presentation that highlights the key findings of the report.
- The final draft will be accompanied by a table showing how comments on the draft have been dealt with.

**Time frame.** The work plan will be drafted and finalised within two weeks of signing the contract. The draft report will be due on 11<sup>th</sup> November 2013. Comments on the draft report and PowerPoint from IIED and partners will be delivered to the consultant(s) by 16 November 2013. The consultant(s) will make a presentation of their findings to IIED's ST and other staff in the week beginning 25th November 2013. The consultant(s) will consider comments by IIED staff and partners in revising the draft report and will provide the table described above when submitting the final draft which is due on 12<sup>th</sup> December 2013. One of the consultants will present the findings of the evaluation to IIED's Board provisionally at their November 2013 meeting (27<sup>th</sup> or 28<sup>th</sup>). The evaluation will be completed (and final payment made) once the final report and presentation have been accepted by IIED.

## **9. Management and inputs by IIED**

*The evaluation will be coordinated by Alastair Bradstock at IIED who will enable decisions on it to be made by IIED's Strategy Team. The evaluation report will feed into a synthesis report on strategic review of economics at IIED to be prepared by Maryanne Grieg-Gran. IIED will save electronic material in a folder in Drop Box and will provide the consultants with relevant hardcopy material. IIED will also provide an initial list of key people, with contact details, that have worked with IIED economists over the last five years and beyond. Maryanne Grieg Gran and Kate Lewis are the two key contact people in the Sustainable Markets Group who will support the consultant(s).*

## **10. Budget**

*It is envisaged that about 20 -25 days will be required for the tasks set out in these terms of reference. A budget will be developed and agreed between IIED and the consultants.*

## Annex 2 List of people interviewed

### **IIED Staff**

Bill Vorley, Principal researcher, Sustainable Markets Group

Dilys Roe, Principal Researcher and Team Leader, Biodiversity

Emily Benson, Green Economy Coalition

Emma Wilson, Team leader, Energy, Sustainable Markets Group

Essam Mohammed, Researcher, Economics, Sustainable Markets Group

Gordon Mc Granahan, Co-head Human Settlements Group

Ina Porras, Researcher, Economics, Sustainable Markets Group

Isilida Nhantumbo, Senior researcher, Natural Resource Group

James Mayers, Head, Natural Resources

Kate Lewis, Senior coordinator, Sustainable Markets Group

Liz Carlile , Head of Communications

Maryanne Grieg Gran, Researcher, Economics, Sustainable Markets Group

Rodney Lunduka, Researcher, Economics, Sustainable Markets Group

Simon Anderson Head, Climate Change Group

Steve Bass, Head, Sustainable Markets Group

Tom Bigg, Head of Partnerships

### **External Stakeholders**

Ed Barbier, University of Wyoming

Filippa Bergin, Invest in Change, IIED Board member

Glenn Marie Lange, World Bank

Paul Steele, UNDP-UNEP Poverty Environment Initiative

Priya Shyamsundar, SANDEE

Thomas Sterner, visiting chief economist Environmental Defense Fund, New York

Wilfred Nyangena, University of Nairobi

**Collaborating researchers/partners**

Abdhub Wahab, Bangladesh Agricultural University

Adriana Chacun, Centre for Tropical Agricultural Research and Education, Costa Rica (email)

Alais Morindat, Tanzania Natural Resources Forum

Arild Vatn, Norwegian University of Life Sciences

Arjun Dhakal, Institute for social and Environmental Transition, Nepal

David N Barton, Norwegian Institute for Nature Research

Enamul Haque, Institute of Business and Economics Research, United International University, Bangladesh

Jean Chrysothome Ngabitizine, National University of Rwanda

Justine Namaalwa, Makerere University , Uganda(email)

Muyeye Chambwera, UNDP Botswana, former researcher IIED

Peter May, Federal University of Rio de Janeiro (UFRJ), Brasil

Salvatore Di Falco, University of Geneva, Switzerland

**Donor agencies\***

Danida, Jens Lorentzen; Louise Jersild

Irish Aid, Adrian Fitzgerald

Sida, Linda Bystedt

\*Emails were sent to IIED's main contact persons within the donor agencies, see names above, who either responded directly to the questions or consulted colleagues. All opted to respond via email.

### Annex 3 Description of approach and methods applied

The approach has been to use a combination of document review and interviews to assess the quality of a selected number of research outputs and the extent to which the environmental economics work has contributed to intended outcomes and the value of these outcomes.

Building on the ToR we developed an overall evaluation matrix and interview questions that was discussed with the evaluation team at IIED on the 25<sup>th</sup> of September. Adjustments to this have been made in discussions with Maryanne Grieg-Gran.

Data collection methods included:

-A series of semi-structured face to face or telephone interviews with IIED staff, collaborating researchers and key external stakeholders (research organisations, policy makers, donors). IIED has provided names on collaborating researchers/partners, IIED staff for interviews. The evaluation team and IIED have discussed tentative names of external stakeholder to interview.

-Document review – IIED Work books and Results Report, IIED evaluations and Partnership Review, Draft future strategy, IIED guidelines for research excellence, Briefing notes, project evaluation reports and requested information on funding sources and project size.

-Product review – detailed review of five specific IIED outputs on PES/REDD+ and economics of adaption. The selection of these were made in discussion with IIED and was based on criteria such as relevance for IIED's future work, having a spread of involved IIED researchers, are considered by IIED to be of good quality and have contributed to theory and evidence. The technical review of the outputs were undertaken by Dr. Anders Ekbom (all five), Dr. Anna Nordén (Fair and Green, Bolsa Floresta) and Dr. Jesper Stage (Stakeholder-focused cost-benefit analysis/Planning and costing agriculture's adaptation to climate change) using the 7 questions that are reported in Annex 5. Anders Ekbom is responsible for the overall comment on research quality.

#### About the interviews

Notes from the semi-structured interviews were analysed and common issues and specific points or complimentary views judged to be useful were included in the report, including the use of specific anonymous citations.

Five respondents preferred answering via email. One contacted external stakeholder declined to respond on the grounds of not having any knowledge of IIED's environmental economics work. Some contacted persons have either not replied or been unavailable.

Questions for the interviews were adapted to the respective target groups and depending on the familiarity with IIED's environmental economics work. Overarching questions were in most cases sent out beforehand.

#### *Questions for collaborating researchers*

-What kind of research collaboration within environmental economics have you had with IIED in the last four-five years?

-What is your main motivation for working with IIED?

-To what extent has your collaboration with IIED contributed to any of the following?

(research capacity, access to policy or research networks other)

-What has been the main outcomes or impacts of the collaborative research projects? How and Why?

(influence on research agenda, capacity building, policy debates or influence on policies)

-What is your assessment of the IIEDs environmental economics work related to the research themes?

(influence on research design, quality of research process, engagement with stakeholders, dissemination, capacity building activities)

-What could IIED do to improve the quality of research collaboration?

-What do you see as key research topics and debates within environmental economics and economics more broadly in the coming five to ten years?

-What could IIED do to improve the quality and relevance of its work related to environmental economics?

*General questions to IIED staff*

-What is your current involvement with IIED's environmental economists?

-How would you like this cooperation to evolve in coming years? Why?

-What has been the main contribution of IIED's environmental economics work during the strategy period? How and why? (particular focus on PES/REDD, economics of climate change)

-To what extent is IIED's environmental economics work addressing key sustainable development challenges?

-What is your assessment of the quality of IIED's work on environmental economics?

-What is your view of IIED's position within environmental economics today? Tomorrow?

-What would you suggest as top research priorities for IIED's work on environmental economics and economics more broadly?

-Lessons learned and areas for improvement?

*Questions to external stakeholders*

-What interaction have you had with IIED in the last four to five years?

-What role does IIED play within the field of environmental economics today?

-What has been their main contribution in the field of environmental economics in the last four to five years? How and Why?

- What is your assessment of the quality of their work?
- What do you see as key research topics and debates within environmental economics and economics more broadly in the coming five to ten years?
- Any suggestions on what IIED could do better?

### **Assessing impact**

Assessing impacts and outcomes such as contributions to policy debates, influence on policy or behavioral change, or contribution to theory is highly complex. Examples of impact were identified from a combination of IIED Result reports, interviews with IIED staff or external stakeholders. Depending on the claims made we either judged them to be sufficient or searched verification from external stakeholders or document review. Some examples of our approach are given below.

Example 1 Speaking of Fair and Green ? Social impacts of payments for environmental services in Costa Rica the Result Report 2010-11 stated “It has improved national policy towards social targeting of the scheme.” A similar writing occurred on the same topic in the Result Report for 2012-13 on progress towards 2014 targets “Our analysis of participation in the Costa Rica PES has had some influence on policy towards social targeting at national level”. The latter was validated by an objective researcher at Catie/University of Gothenburg who has worked on this PES scheme. We choose not to contact the national counterpart FONAFIFO for further confirmation.

Example 2. A researcher claimed that IIED research was extensively used by influential organisations such as Forest Trends. This was verified via website visits and check of Forest Trends reports.

Example 3. Claims in the Result Report for 2012-13 Presentation on IAPAL International Air passenger levy for the Least Developed Countries Group in Doha triggered a debate. Given that the work was commissioned by the LDC Group through CDKN and that members of the LDC group would participate in the studies this was not questioned. The continued request for work on IAPAL is also seen as a verification of usefulness. As a minor comment, we noted that the final report to be published in April 2013 could not be found. In the IISD bulletin from Doha it was reported that Climate Action Network argued for the use of air passenger levy.

### **About the Horizon scanning**

The forward looking horizon scanning document is based on an extensive literature review, See Annex 6. Our recommendations for future work builds on a combination of this horizon scanning document, the discussion paper by Toulmin and Lines 2013, and proposals made in the various interviews/email replies..

## Annex 4 IIED targets for 2014

### 4.3 Tackling market failure

Target 1: Our cutting-edge analysis of social impacts of market-based incentive mechanisms influences policymakers in designing and implementing such mechanisms, and civil society organisations in their advocacy for change.

Target 2: Limits and potential of economic valuation examined for a number of ecosystem services, and ways forward for improvement advocated.

Target 3: Our work on pro-poor incentive mechanism design and impacts influences national and international policy and is used in designing REDD mechanisms to ensure co-benefits of development.

Target 4: Civil society groups indicate that our analyses and recommendations have helped them achieve their objectives, for example for community-based ecotourism.

Target 5: Capacity building and guidance materials on valuation and incentive mechanisms are widely used by governments, civil society and academic institutions and contribute to forming policy positions, designing incentives, as well as higher capacity.

### 4.5 Fair and inclusive green economies

Target 1: Multi-stakeholder dialogue and follow-up diagnostic/research in at least five developing countries results in demonstrable added value for poor groups in better defining green economy policies and developing green economy opportunities.

Target 2: Research and policy advice to the OECD and to at least one OECD donor results in demonstrable added value for poor groups in better defining green economy policy frameworks and developing green economy opportunities.

Target 3: Appropriate valuation, accounting and accountability frameworks become integral to green economy initiatives internationally, and begin to be institutionalised in at least one country in which IIED has a green economy focus.

Target 4: Clear recognition in international debates that global equity and development issues are central to the green economy agenda, that Southern actors play a key role, but also that the brown economies of the North/rich need to be reformed

### 4.6 Economics of climate change

Target 1: A range of economic approaches — ranging from local to macro — that are applicable to climate change and are used by a wide range of stakeholders, especially in developing countries.

Target 2: A group of economists from developing countries collaborating with us and capable of undertaking credible economics of climate change analyses and policy support.

Target 3: At least 5 country case study reports and 5 briefing papers written and published.

Target 4: AdMit initiative pilot phase completed, documented and published in a form that can have most influence.

Target 5: Effective engagement with industry on addressing various climate change issues such as aviation emissions.

Target 6: At least five country case study reports and five briefing papers written and published.

Target 7: Objective team members involved in at least two global climate change processes requiring climate change expertise.

Source: IIED Work book 2012-2013

## Annex 5 Assessment of five research projects

<b>Research project: Stakeholder focused cost benefit analysis in the water sector</b>	<b>Yes/ No</b>	<b>Comments</b>
Is the research project addressing important sustainable development challenges/issues?	Yes	The general idea is sound; by engaging with a wide range of different stakeholders when cost benefit analyses are conducted, one can increase the chances of including impacts in CBAs that tend to be ignored in practice. However, the description of the methodology is a bit vague and as it is described it almost sounds as if the authors see this as a completely new form of CBA – which is a bit tricky, especially since they don't describe the existing CBA literature at all and don't link this paper to previous studies and methodologies.
Is the research project relevant for policy making?	Yes	Many CBAs, especially in developing countries, would benefit from practitioners including these types of steps when making their analyses. CBAs in practice often suffer from elite capture where the impacts that policymakers consider are important are sure to be included while other impacts are not, so discussing with a wide range of stakeholders beforehand can help make CBAs better.
Is the research project adapted to new and emerging challenges within this field?	?	Not sure how to respond to this. Including impacts on all stakeholders has been an important challenge to CBAs, especially in developing countries, since the method was invented so the challenges themselves are not new.
Are the methodologies applied appropriate?	Yes	Soliciting advice and comments from a wide range of different agents definitely makes for better CBAs, although We think they overstate the difference in their approach compared to what is already done (or should at least be done in theory).
What, if any are the contributions made to theory and evidence		The contribution to theory is weakened considerably by the fact that there is no link to the existing theory on CBA, so the authors don't engage with the literature and don't say how their proposed extensions relate to what has already been going on in the field. The contribution to evidence is straightforward enough – different stakeholders value different types of projects differently, and the "expert" assessments are sometimes widely off the mark of what the intended beneficiaries want – but this is nonetheless worth pointing out explicitly.
Has distributional aspects, including gender and generation been addressed effectively?	Yes	An important point of this method is to include distributional aspects better, so yes. Gender isn't raised as an explicit distributional issue but intergenerational issues (or rather, long run sustainability issues) are.
Are policy implications and recommendations relevant?	Yes	The suggestions would make for better CBAs, if applied sensibly, and this would make for better informed policy decisions.
Other comments:		The paper provides some useful suggestions on how to make sure that a wide range of different impacts of a project are considered when a CBA is conducted, and how to investigate how different stakeholders feel about these impacts, but the report is a bit strangely written. If We had written this report, We would have packaged this as an improvement on existing methodology and situated this relative to the current (often quite shoddy) practice in how CBAs are conducted in developing countries. Instead, the extensions to the standard method are oversold as a completely new way of doing things and the link to existing (and historical) practice is not described, so that it's difficult for a casual reader to see what is new theory, what is new methodology, and what is already standard practice.

<b>Research project:</b> <b>Planning and costing agriculture's adaptation to climate change – synthesis report</b>	Yes/ No	Comments
Is the research project addressing important sustainable development challenges/issues?	Yes	Climate change is a crucial challenge for policy and dealing with climate change impacts on agriculture will be important for many developing countries for the foreseeable future.
Is the research project relevant for policy making?	Yes	See above.
Is the research project adapted to new and emerging challenges within this field?		This is a synthesis report and much of the new own analysis seems to be in other reports; there is not a lot of description of how the individual case studies were actually carried out. The authors are right in pointing out that there is a lot of top down analysis in this field, with large overall estimates of adaptation needs for entire regions or countries but little in the way of studying adaptation needs at the micro level. So the aims of this study, looking at adaptation needs at several levels at once, are laudable
Are the methodologies applied appropriate?		Again, there is not a lot of description of how the case studies were actually carried out. We would add, however, that the description of the methodology (the "analytical framework" chapter) is rather odd; there is a lot of fairly vague writing that doesn't make it clear how the analysis will actually be carried out and (given that this is framed as an economics report) is not very clear about how the economic analysis is done. It also seems to me that the methodology doesn't seem to have been followed very closely in practice. The case studies report what seems to be fairly standard economic cost estimates (although with little detail on how these are reached) and the discussion of the case studies doesn't link much to the analytical framework chapter. We would also add that the different case studies seem to have been done in quite different fashion, with some case studies apparently relying heavily on precisely the kind of top down estimates that the report states are a problem. We also think it is problematic to only assess costs of a measure, as is done in this report. Both costs and benefits of a measure need to be considered for policy purposes in order to determine whether the measure makes sense or not. Simply reporting how much a measure is expected to cost over a set of years is not helpful, without some indication of what impacts the measure is expected to have and the economic benefits from these impacts.
What, if any are the contributions made to theory and evidence		Good overview and synthesis description of the existing literature and policy discussion. The evidence from own research is weakened by the fact that there is little information on how the research was done and how the conclusions were reached; then again, this is a synthesis report. Some of the reported results especially for micro level adaptation measures are probably new and may constitute new evidence, but this is difficult to say for sure without looking at the individual case study reports where more detail is presumably provided.
Has distributional aspects, including gender and generation been addressed effectively?		Gender not so much; future generations more so. Other distributional impacts such as poverty alleviation and development in general are addressed.
Are policy implications and recommendations	Yes	Obviously getting a better idea of the varying types of adaptation measures available and the costs of these is important for policy.

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relevant?		
Other comments		This is very clearly a multi-author report where different authors have written different chapters and have not made much effort (or had much time?) to integrate the different pieces into a coherent whole. The main own contribution, the case studies, appear to have been done quite differently in different countries. Judging from the report on these case studies, the approaches followed in practice do not seem to have followed the approach described in the preceding chapter very closely.

<b>Research project:</b> <b>Payments for Hilsa fish (<i>Tenualosa ilisha</i>) Conservation in Bangladesh</b>	Yes/ No	Comments
Is the research project addressing important sustainable development challenges/issues?	Yes	As indicated in the paper, maintaining <i>sustainable</i> Hilsa fisheries is of large importance for livelihoods of millions of people; sustainable fisheries are at stake and the fisheries offer significant employment in the region; "Hilsa alone makes up 1.0 per cent of the GDP and contributes a considerable amount to foreign exchange earnings. About 287,000 fishermen are directly dependent on the hilsa fishery for their livelihood and about 2.0–2.5 million people are involved in different activities throughout the value chain."
Is the research project relevant for policy making?	Yes	The reasons are linked with the issues above; the fisheries offer broad-based (direct and indirect) employment, sources of livelihoods, protein/nutrients, cultural identification, income etc., and if managed non-sustainably it might become a difficult political issue, nationally or even regionally. Policies for sustainable management, and proper compensation for those ensuring it, need to be identified and implemented. Currently, policy implementation seems sub-optimal, and fishermen have insufficient incentives to maintain sustainable yields.
Is the research project adapted to new and emerging challenges within this field?	Yes, no	Yes: Applying a payments for ecosystem services perspective on the issue makes use of new perspectives and opportunities for analysis, as well as policy identification and implementation. No: the study is largely a desk study suggesting what to do, in terms of: i) PES research on the Hilsa fisheries policy issues, and ii) what to do to ensure more sustainable fisheries (e.g.: "Fishermen and fisherwomen should also be assisted in opening savings accounts with minimal fees and requirements, ..." p. 183). On the latter it is arguably premature to prescribe certain policy measures without having conducted a proper empirical analysis and tested proposed policy measures.
Are the methodologies applied appropriate?	Yes/ no	The question is not really relevant or applicable due to the fact that no methodologies are applied (PES is proposed as a conceptual framework for study and implementation to manage the fisheries more sustainably and equitably). It is not a theoretical paper, developing certain (theoretical) methodologies. It is not an empirical paper testing or applying methodologies (eg econometrically).
What, if any are the contributions made to theory and evidence	No/ Yes	No contributions made to theory. On contributions to evidence it suggests to use PES as a conceptual framework for study and implementation to manage the fisheries more sustainably and equitably. Many relevant research questions and tasks are proposed for further study.
Has distributional aspects, including gender and generation been addressed effectively?	Yes	Most prominently distributional aspects are highlighted (e.g. distribution of benefits), where proper (studies of, policies for) payments/compensations for sustainable fisheries managed by local fishermen/women are proposed. The paper indicates a sensitivity to the fact that current fisheries policies are not contributing to full and equitable payments/compensations to local

		fishermen/women for sustainable management of the fisheries. The gender and generational dimensions/perspectives are addressed only briefly and superficially, and would need a more thorough treatment.
Are policy implications and recommendations relevant?	Yes, no	The proposed policy implications and recommendations seem relevant, but the problem is that we don't know since no hypotheses or research problems have been empirically tested. Proposed policy implications and recommendations do not follow naturally and logically from a formal empirical analysis. The proposed policy recommendations needs to be substantiated and validated by a formal empirical analysis (which the paper rightly also propose, to enable a more thorough identification of policies and measures to ensure sustainable hilsa fisheries)
Other comments:		Although the study is not advancing theory or conduct empirical analysis based on original data, it contains useful recommendations for further study. Identifying adequate research issues and tasks, in order to provide knowledge for strategic planning and decision-making may also be a useful contribution to the research agenda as well as the knowledge needs for policy development.

<b><u>Research project:</u></b> <b>Fair and green? Social impacts of payments for Environmental services in Costa Rica</b>	Yes/ No	Comments <i>After the evaluation of the document we have learned that IIED had initially intended to undertake a thorough assessment of social impacts. As the proposal was not funded a more modest analysis was undertaken instead with a focus on analysing participation in the scheme. Given this more limited focus we think it would have been better to frame the research and title of the paper accordingly to reduce the risk of confusion. However we acknowledge that the research undertaken has made useful contributions to the understanding of participation in the scheme and to the discussion on social impacts of PES schemes. Only some minor changes have been made below.</i>
Is the research project addressing important sustainable development challenges/issues?	Yes	Deforestation contributes to climate changes as a significant source of anthropogenic GHG emissions and to biodiversity loss. The main driver of deforestation is demand for agriculture land due to high demand of agriculture products and Payment for Ecosystem Services (PES) has been put forward as a straightforward policy to compensate for this opportunity cost of forest conservation. The use of PES programmes to decrease deforestation has boomed in recent years and the voluntary nature of PES makes the understanding of participation one of the key issues for the success of such programmes. This research project describes the participants of the PES programme in Costa Rica, which is the first programme of its kind and a programme often used as a blue print for other PES programmes. However, the descriptive nature of this project provides little insight into the drivers of participation. Further, there is no connection made between social and environmental outcomes. The environmental outcomes are after all the main objective of these programmes.
Is the research project relevant for policy making?	Yes, and No	This research provides planners and policy makers with relevant description of the historical and present characteristics of those participating in the PES programme in Costa Rica. It also highlights the importance for the management agencies of PES policies to be well-informed of who is receiving the payment (and, ideally, who is not). However, no robust evidence of the actual impact of the changes in the policy design is provided. The policy recommendations given are not formally tested but rather based on intuition. Policy recommendations would be more solid with a formal evaluation of different designs. Further, a

		more interesting research approach to the issue of participation would be to investigate (formally, econometrically) the connection between social and environmental outcomes.
Is the research project adapted to new and emerging challenges within this field?	No	There is an increasing literature on programme impact evaluation. However, forest policy evaluation lags behind most other policy fields (Ferraro and Pattanayak, 2006). Therefore, further research on impact evaluation is needed and would be significantly strengthened by adopting state-of-the-art program evaluation methods (see below).
Are the methodologies applied appropriate?	Yes and No	The description of who is participating is informative for the policy makers and answers the research question of who is participating in PES in Costa Rica. However, it does not take us further in our understanding of the social impact of PES.  A step forward would, for instance, be to use quasi-experimental designs that use econometrics to compare PES participants to a designed counterfactual (non-participants that are matched by using matching methods) (Ferraro and Pattanayak, 2006). Perhaps the best-known and most used matching method is propensity score matching (e.g., Rosenbaum and Rubin 1983).
What, if any are the contributions made to theory and evidence	Yes and No	This is an empirical study with no contributions made to theory. The analysis is descriptive and hence little evidence of the social impact of PES in Costa Rica is put forward. The main contribution of this paper is to increase understanding of who participates in the scheme.
Has distributional aspects, including gender and generation been addressed effectively?	Yes and No	This research emphasizes other important distributional aspects such as property size. However, the analysis lacks information regarding distribution of contracts across gender and generations, respectively.
Are policy implications and recommendations relevant?	Yes and No	The recommendations of concrete and practical improvements to increase participation of poor land owners are highly relevant. However, these recommendations are based on assumptions rather than evidence. The recommended policy mix is not tested; the policies already in place are not properly evaluated.
Other comments:		The study lacks data on non-participants or those not receiving the contracts (around 50% of all applicants never receive contracts due to various reasons). This results in an insufficient evaluation of the social impacts of the PES program and its policies in Costa Rica. The difficulties of gathering sufficient data to use for comprehensive impact evaluation should be acknowledged. However, to enhance the possibilities to provide advice on impacts it would be necessary to apply more appropriate research evaluation methods. A helpful instrument would be to implement an independent external peer review process which would increase the quality of the research. Such peer review process also tends to work as a learning process where new knowledge is brought into the organisation.

<b>Research project:</b> <b>Assessing Preferences for Compensation Packages using the Discrete Choice Method: The case of the Bolsa Floresta Program in Amazonas, Brazil</b>	Yes/ No	Comments
Is the research project addressing important sustainable development challenges/issues?	Yes and No	This research is important in increasing our knowledge regarding individuals' preference for different types of payments. Such insights might also be important in a more global perspective as payments are made in other types of policies as well, for instance, conditional cash transfer programmes that are implemented all over the world. However, preferences for types of payments are context dependent. Hence, this particular study is more important locally/regionally than globally.
Is the research project relevant for policy making?	Yes	The preference for the type of compensation is important in the design of PES programmes. The method used in this study is an excellent way to provide policy makers with this type of information even before the programme takes place, or has reached a status where an evaluation is feasible.
Is the research project adapted to new and emerging challenges within this field?		The questions addressed in this research project connect with a growing international interest in understanding how participants want to be compensated for restricted access to ecosystem services.
Are the methodologies applied appropriate?	Yes and No	Using the discrete choice method is appropriate in the context of investigating preferences for different types and levels of payments. However, the econometric approach of the multinomial logit model (MNL) to analyse the responses is limited; the method does not allow for any heterogeneity on preferences. Hence the study only concerns observed heterogeneity by including socio economic variables in the MNL estimations.
What, if any are the contributions made to theory and evidence	Yes and No	This is an empirical study with no contributions made to theory. However it contributes to local evidence on PES preferences
Has distributional aspects, including gender and generation been addressed effectively?	Yes and No	A variety of variables emphasising different distributional aspects such as age and income dependence are taken into consideration in the analysis. However, gender is not addressed.
Are policy implications and recommendations relevant?	Yes	The recommendations are clearly context relevant and serve as an early evaluation of (and source of information for) the work of the managing organisation (FAS).
Other comments		

## Annex 6 Horizon scanning

It is always difficult to predict or hypothesize about the future. However, it is very likely that the economic, social and environmental changes – and the associated challenges – will continue to drive and inspire environmental economics research, and economics research more broadly, in the years to come. These challenges have been described by several researchers and key actors in the scientific community (see e.g. Rockström et al, 2009a,b; ICSU 2010, 2013; ISSC 2013). In short they are composed of increasing populations (9 billion people in 2050), rapid expansion of urban areas, economic growth with increasing demands for goods and services, housing, and urban infrastructure, increasing local, regional and global pollution (including climate change), and resource constraints; tremendous pressures will be put on land for cultivation and food security, freshwater, energy, forests, fisheries, metals, oil, gas and coal etc. Pressures will increase on biodiversity and other ecosystem services and public goods. The number of challenges is indeed large. Arguably, understanding these trends, and finding solutions, will continue to drive research.

Despite all uncertainties, attempting to predict future challenges, research priorities or knowledge needs, may help formulation of strategies and shape work planning in the field of environmental economics. Uninformed by these challenges it is easy to pursue irrelevant or less useful research. Our propositions below are informed by our own experience within the topic, other researchers' and resource persons' views, and written material on the topic (e.g. Heal 2009; Lahsen et al, 2010; Moss et al, 2010; Stavins 2010; Jacobs, 2012; Barbier 2012; and Greenstone and Jack 2013).

Historically environmental economics research has followed the following strands of inquiry: i) identification of the economic *causes* ("driving forces") behind environmental degradation and natural resource depletion (e.g. externalities); ii) understanding *linkages* between economics, environment and other key factors of development (health, education, governance, institutions, poverty, sector policies etc.); various kinds of regression analyses and other forms of econometric investigations); iii) *valuation* of environmental amenities and ecosystem services; identification and economic valuation of costs of environmental degradation, or benefits of environmental change); iv) *measuring scope and magnitude* of environmental and economic change, and tracking environmental economic progress (identification and evaluation of environmental economic indicators at micro and macro level; integration of environment in the National System of Accounts; adjusted net savings, green GDP, natural resource accounting, etc.); v) *impact evaluation* of environmental management or interventions at project, program, plan and policy level: eg via cost-benefit analysis; cost-effectiveness analysis and other tools for economic evaluation, and v) suggesting solutions by identifying and evaluation of cost-effective economic *policy instruments* for good environmental management (taxes, levies, fees, charges, subsidies; green tax reforms etc.).

Theories on e.g. valuation/valuation methods and policy instruments have been developed within these fields, followed by various empirical analyses. Research on major environmental issues such as climate change, land degradation and land use, deforestation and forest management and other similar challenges and issues can be framed within the above strands of inquiry.

Looking ahead, it is our view that future environmental economics research will follow the above strands of inquiry, but be subjected to major changes within the strands. Below we propose areas of environmental economics research and transformations that are likely to happen within the discipline and between the discipline and other disciplines. Not least important is the move towards,

and necessity for, more trans-disciplinary research, and integration of (environmental) economics with other scientific disciplines.

Increased integration of environmental economics and development economics: Increased integration of environmental and development economics offers opportunities for investigation of many issues that are still poorly understood, under-researched and are of interest to economists and policymakers. Key questions for future research include: What is the effect of environmental quality on economic development in developing countries? What is the effect of economic policies - and specific economic policy instruments - on environmental quality and natural capital, and on economic development in developing countries? What is the effect of sector reforms and sectoral change (e.g. in agriculture, energy, infrastructure, transports) on environment? What are the linkages between changed population dynamics and mobility of citizens and environment? What is the effect of environmental policies on health, productivity and welfare, respectively? (for reference, see e.g. Greenstone and Jack, 2013).

Integration between environmental economics and political science, public administration/policy planning and management: How does economic development and changing patterns of consumption affect environmental quality/status and natural capital? What are the political economy factors that shape this relationship? What factors determine effectiveness of environmental regulations in developing countries?

Sustainable local natural resource management and poverty outcomes – enhance understanding and identify solutions: There is a continued need to enhance the understanding of sustainable natural resource management at local levels. Of course the driving forces behind local environmental change, but most importantly to identify and evaluate solutions. This includes issues like ways and means to govern local commons sustainably; management of common properties like waters, lands, fisheries, water catchments, grazing areas, local forestry, coastal zones and local trans-boundary resources. It also includes a maintained interest in local ecosystem services and the links with local welfare and livelihoods, and solutions for effective and sustained poverty reduction. REDD+ and PES can be seen in this context, but the relevant perspective will arguably be broader and more loosely tied to payment mechanisms like those. There is a continued need to evaluate PES and REDD+ locally, but the perspectives will open up to analyse poverty-environment links, and solutions, more broadly. Linked with macro policies and green growth/green economy, there will be a need for identifying local impacts of macro and sector policies (irrespective of whether they are labeled green growth-policies or are business-as-usual policies). An associated branch would be to use the knowledge on local impacts to identify necessary changes to the implemented policies to improve local-level outcomes (much like the local level REDD research, but more broadly defined). So, if the perspective is local there will be strong links with macro/national and global perspectives, policies and policy instruments.

Institutions and governance – impact on environmental management and environmental quality: Arguably, there will be an increasing focus on, and need to understand, the critical role played by institutions (formal/informal) and good governance for (economic, socially and environmentally) sustainable development. Critical issues for investigations will be: political economy of environmental policy reform and environmental policy integration; the role and importance of transparency, corruption, voice and accountability, public participation, and government

effectiveness, regulatory effectiveness (policy implementation and follow-up) in environmental change. How does vested interests and a government's capacity to enforce regulation influence environmental outcomes, and the possibility to effectively implement environmental policies?

Integration of environmental economics and behavioural sciences (psychology, sociology) including behavioural economics: In our view there will also be an increased focus among economists to understand individuals' preferences, perceptions (of eg trust, risks etc), norms and values in relation to environmental change, and (the possibility to implement) environmental policies. This translates also into the environmental field where there will be an increasing interest in, and need for, identifying citizens', consumers', producers', voters' attitudes, preferences, perceptions, norms and values in relation to environmental challenges and solutions. This calls for increasing integration between (environmental) economics and behavioural sciences (psychology, sociology etc.). It is clear that theoretical first best (economic) solutions seldom work in practice. Besides political and institutional constraints, this is largely due to sticky attitudes among individuals, established behaviours, habits etc. This strand of research links with the need to find solutions to many shared environmental problems, public goods problems and social dilemmas, at the local level (use of public lands, forests, grazing areas, water management etc.) and as well as at the global level (climate change). There is also a growing literature on human cooperation i.e. the capacity to choose what is best for the group even though it may not be against the strict self-interest of the individual.

*Experimental economics* will evolve as an analytical tool which can be used to reveal human behavior in relation to economics in general, and environmental economic issues in particular. Issues of future interest might be: why are not optimal taxes translated into practice? Why are not ecosystem services naturally translated into payment (supply-demand) schemes? Despite considerable individual knowledge about our consumptions' environmental impacts, why are we not consuming more sustainably? What are the behavioural factors that work against sustainable consumption and production patterns? How does ethical and moral information and arguments influence norms and behavior? What role does psychology and individual (or group) preferences/norms/values/attitudes play in the implementation of economic (and legal) policy instruments? How will and can these be changed in the transition towards sustainable consumption and production? What role does welfare, education and information play to change the public's behavior and exposure to environmental risks and mitigation measures?

Integration of climate change science and economics; climate economics quickly developing into significant and specific sub-discipline: Issues and questions of future particular interest might be: How can we better understand the fundamental economic and political barriers to policy action? What policies are most effective for climate mitigation and adaptation? How do abatement costs compare across different policies? Valuation of abatement costs across various payments for ecosystem services? What factors or design elements cause people in developing countries to make climate efficient investments? What are the impacts of transfers of funds or technologies from developed countries on developing country investments in mitigation and adaptation? What economics policies or instruments can best protect vulnerable populations (eg smallholder farmers), against the effects climate change?

The climate change negotiations and its commitments and outcomes (e g the implementation of the Green Fund, scheduled to generate and disburse 100 Bill. USD per year from 2020) will most likely

continue to act as a strong driver for climate economics research. It will guide and influence future research for instance with respect to scaling up and proliferation of emerging climate funding initiatives (beyond CDM and REDD+). Most likely this strand of research will have strong links with behavioural issues such as consumer preferences and behavior; the role of norms, values and trust; climate justice and burden sharing, incentives and opportunities for international cooperation, the role of equity and fairness in relation to i) climate change negotiations and finding/implementing solutions, and ii) the climate as a global public good. Areas of analysis in this field would arguably also include: Quantitative analysis of economics impact of climate change, and the specific impacts of extreme events (in agriculture, forestry etc.), distributional impacts of climate change and climate finance; adequate accounting of the economics of adaptation and mitigation, and how does adaptation actually impact outcomes.

Green Growth/Green economy – research on theory, operationalization and impact evaluation: This theme has already been subject to some investigation, but if it continues to gain political attention and support, there is a need and interest in deepening the analysis. This could be done into theoretical inquiries on the concept as such, in relation to e g sustainable development, SDGs etc., and in terms of how to operationalize it. What are the policy instruments which meaningfully and effectively can be used in various contexts? In addition there is a strong interest in evaluating impacts of Green Growth/Green economy reforms in countries, with specific focus on certain dimensions: impacts on the poor, on women/gender issues, on natural resource sector performance (natural capital change), on pollution levels, on burden of environment-related diseases, on natural resource quality and ecosystem services, etc. the analysis will be conducted at the macro- as well as micro levels. This form of macro analysis may also be linked with reinforced efforts to analyse the links between environment and trade policies, trade negotiations and their outcomes; and international consumption and production patterns.

The economics of resilience, and social-ecological systems analysis: social, economic and ecological resilience may be concepts with maintained political and analytical interest. Arguably, it will help by the adoption and implementation of the SDGs and the operationalization of actions suggested by ICSU (see e g Earth System Science for Global Sustainability – the Grand Challenges (ICSU, 2010) and Future Earth – Research for Global Sustainability (ICSU, 2013), and ISSC and its research agenda(s) proposed in the World Social Science Report (e g Changing Global Environments: Transformative Impact of Social Sciences; ISSC 2013). Prioritized research questions include e g i) What do we need to observe in coupled social-environmental systems, and at what scales, in order to respond to, adapt to, and influence global change?; ii) Which aspects of the coupled social-environmental system pose significant [social-environmental] risk of positive feedback with harmful consequences?; iii) How can our proximity to thresholds and discontinuities in coupled social-environmental systems be identified, analyzed and tracked?; and iv) How can social-ecological resilience be promoted and with what economic policy instruments? If the concepts and approaches stay on the political agenda it is very likely that research on the economics of resilience and social-ecological systems analysis will be a significant area of future environmental economics research and work.

Evolution of Environmental economic measurements and tracking of progress: Despite strong correlations with social and economic welfare indicators, the insufficiency of GDP to measure or indicate *sustainable* economic and social development will increasingly act as a driver for better

alternative measures. Building on earlier and existing work to track countries' economic performance (Environment adjusted GDP, WAVES etc.) there will be continued efforts, and a need, to identify and track the sustainability of countries' development. Most likely this will be driven by the post-2015 MDG agenda, and the adoption and implementation of the Sustainable Development Goals (SDGs). It will also be inspired by the work and commitments of the UN statistical Office to enhance and reform the Systems of National Accounts, and to a larger degree account for environmental change in country economies.

The adoption of the SDGs will most likely also trigger economists to evaluate impacts of sector policies and sector reforms on sustainability in general, and on the SDGs in particular. For instance, are energy reforms (removal of subsidies, introduction of taxes and other incentives) contributing to achieve the SDGs? If so, how, to what extent; what works most efficiently, and effectively? "Costing nature" will continue to feature as an important field of environmental economics. Hence, economic *valuation* of environmental degradation, and environmental goods and services will continue to be a major field within economics, largely due to policy makers' need for information about the cost of environmental pollution, natural resource depletion, but also to understand the scope and magnitude of the environmental challenges, and to balance trade-offs in proposing solutions.

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## Annex 7 Review Team responses to comments on Draft 1

Draft 1 of the Review of IIED's environmental economics work was submitted to IIED Nov. 11. IIED provided written comments Nov. 16. The evaluation team updated the executive summary which was sent to IIED Nov. 21. The evaluation was presented to the Strategy Team on Nov. 25 following which Draft 1 was discussed with Maryanne Grieg-Gran. An updated version of the executive summary was sent to IIED Nov. 26 and a presentation was given to IIED's board Nov. 28.

Written comments were provided by five persons. Some of these comments related to factual errors and others to questions for clarification and specifically to provide greater transparency on the origin of various views and points made, whether from IIED staff or external interviewees, and from environmental economists or not. The final version of the report incorporates the review team's responses to these comments and suggestions. Because of this only a couple of those points are referred to below.

Other comments included questioning some findings or proposed alternative emphasis. Due to limited space in the report, in line with the ToR, and due to time constraints we have not been able to address all questions of clarification in the final report.

Below we respond to a selection of these comments.

### Maryanne Grieg-Gran

There should be a clearer distinction between the external interviewees' say and internal interviewees, and between internal interviewees outside and of the environmental and the environmental economists, particularly for quotes.

**Review Team Response:** This has been addressed in the new version.

The section on 'Cross group collaboration' "Collaboration with other parts of IIED appears to be low." But there is only one group left HSG who already have two economists and has less need for economic expertise from other part of IIED.

**Review Team Response:** Although the environmental economists work with *specific* projects within NRG, CCG and SMG, we argue that there is room for more collaboration: This may indeed also involve HSG.

The section on Evaluators assessment of research relevance and quality. "We find it surprising that the environmental economists have not engaged further in the green economy agenda...." What is the basis for this statement?

**Review Team Response:** We acknowledge that we were not aware of some of the work that has been undertaken by the environmental economists' team, including the OECD country case study on Cambodia. We have therefore moderated our writing accordingly. We also think it is sound to be a bit sceptical to new concepts, "old wine in new bottles" as expressed by one environmental economist. Yet based on interviews with both internal and external stakeholders, and our own understanding, we still think that a more active involvement by the economists in the green economy agenda at high level could bring benefits for IIED's work.

The section on Funding. “Framefunds are often used as co-financing which often is a requirement for many funding agencies. In the worst case this could lead to IIED dumping the market when bidding for external funds. In the best of cases this is cost efficient and creates good opportunities to deepen research, to improve the quality of the collaboration and to increase dissemination and communication” Using the frame funds does not make us cheaper, it just enables us to meet the co-funding requirement. If this is a perception of interviewees then I think you should make this clear!

**Review Team Response:** We raised this as a general issue. It did not come from the interviews. We have modified the statement after discussion with IIED. Access to frame funds is a competitive advantage as it facilitates access to funding but it does not allow IIED to make lower bids. There is also competition for frame funds within IIED.

### **Steve Bass**

Executive summary, the section on weaknesses.” lack of a willing and clear *economic* voice for communication credibly internally and externally on issues like green economy, green growth and subjective well-being.” I guess your emphasis is ‘**economic’ voice**, as there has been a lot of non-economist policy voice on this in IIED (Camilla, Tom, me – and hosting the GEC). The economists have done a lot of the **research** work for our GE positioning – in OECD, UNEP GE report, DFID-AG studies of green/brown incentives – as well as some facilitation of dialogue. Maybe that’s OK, unless you feel our economists need to do more of the policy engagement.

**Review Team Response:** Indeed, our emphasis is on economic voice. We acknowledge that the economists have capacity and have made various contributions both internally and externally. Based on both internal and external interviews and our own understanding our view is that IIED could improve its impact by having an economic voice for communication internally, and external high level policy engagement on issues like green economy/green growth. This is not to say that only economists should engage in the debate but that it is a great advantage on some occasions, not least when addressing other high level economists.

### **Alastair Bradstock**

Executive summary, the section on impacts.” The results of the collaborative research have also helped inform national debates, for instance on the impacts of climate change on agriculture and the contribution on of pastoralism on the economy.” And did this lead to any changes? Same section. What about policy makers? You do not talk about them and how our economics work has or has not affected them. Has their understanding of the issues changed and if so how, and have they used our research findings to influence/ change policy and practice.

**Review Team Response:** It is difficult to map or trace the influence of specific research projects on policy making. In the chapter on impacts we provide some examples of how findings have been used, on researchers getting access to inform policy makers etc. However it has been beyond the scope of this review to seek thorough validation on the extent to which references to IIED’s work in media, participation of researchers in governmental committees or workshops with parliamentarians, have led to concrete changes of policies or how the issues are discussed in central policy circles over time.

Executive summary, the section on quality. "We assess the quality of the work to be largely in line with IIED's own standards." Good but are these standards rigorous enough considering what we aim to do with the research?

**Review Team Response:** IIED's standards involve various aspects that go beyond traditional academic principles as referred to in Box 3 on page 7. This is a strength but it also involves risks. We understand that IIED aims to influence economists and economic policy with research. We think this will require additional emphasis on academic rigor including publication in scientific journals.

**Ina Porras**

Review of research project 4 Fair and green - social impacts of payment for ecosystem services in Costa Rica. "the social impact would be better evaluated by using quasi-experimental designs that use econometrics to compare PES participants to designed counterfactual (non-participants that are matched by using matching methods)." We designed a proposal to 3iE to do this – hugely robust analysis at national level using counterfactuals, matching, PSM, dealing with selection bias, etc, for over 0.5 million dollars. The study I did for Fair and Green took me a few days where I managed to crack one of the myths of the PES programme. Yes, it can be improved, but in terms of policy relevance, and value for money, this study is still highly relevant.

**Review Team Response:** We were not aware of IIED's initial attempt to undertake a thorough analysis that would have given important answers on social impacts. Given this more limited scope of the work, that looked at participation rather than impacts, we think it would have been better to avoid speaking of impacts in the title of the paper and in the section on study objectives for the paper to reduce the risk of confusion. In draft 2 we have included information about the initial idea to undertake a more thorough analysis. We also acknowledge that the paper made useful contributions to the understanding of participation in the scheme and to the discussion on social impacts of PES schemes.