Preliminary Benefit-Cost Assessment for 11th Session OWG Goals
Copenhagen Consensus

• Lots of problems in the world
  – Hunger, water, disease, environment, poverty, war,
  – Not enough resources to tackle everything
  – Prioritize
There are different ways to prioritize – all have a part to play

- Political consensus
  - What can everyone agree on?
- Rights based
  - What is everyone entitled to?
- Communication
  - What goals can we describe easily to everyone?
- Effectiveness
  - How to get the most benefit at lowest cost
Copenhagen Consensus

• Cost-Benefit Analysis
  – Everything in same measure (typically $)
  – This does NOT mean that only focus is money
  – Our analysis values all three dimensions of the Rio+20 outcome
    • Economic
    • Social
    • Environmental
  – Welfare economics
Cost-Benefit Analysis

• Costs
  – Typically already in monetary terms
  – Certainly in terms of redeployment of productive resources
Cost-Benefit Analysis

- **Economic** benefits
- Example: benefits from schooling
  - Higher long-term pay
  - But also
    - Better health
    - Better health of future generations
Cost-Benefit Analysis

• **Social** benefits

• Example: malaria treatment
  – Avoid death
  – Avoid disease
  – But also
    • Higher productivity
    • Higher growth
    • Long-term lower poverty levels
Cost-Benefit Analysis

- **Environmental** benefits
- Example: Cut fossil fuel subsidies
  - Reduce CO₂ emissions
  - Reduce global warming, e.g. loss of wetlands
  - Reduce air pollution
  - But also
    - Lower strain on government funds
    - Fewer lives lost to air pollution
Cost-Benefit Analysis

• So we measure the total cost (in $)
  – Say, $3bn/year to tackle infant malnutrition

• And we measure the total benefit (in $)
  – Economic (long-term higher pay)
  – Social (healthier lives, fewer deaths)
  – Environmental (more conscious, fewer children)
  – TOTAL: $180bn/year

• Benefit-Cost Ratio: $180bn/$3bn or 60
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• If we have done benefit and cost analysis well
  – Comparable costs and benefits, measuring both
    • Economic
    • Social
    • Environmental

• This approach can be very useful to the challenge facing OWG
  – About 140 targets
  – Limited resources
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• Copenhagen Consensus plan to produce analyses across 2014
  – For 19 areas
  – 50+ targets
  – Produced by 57 teams of top economists
  – Commented by UN organizations, NGOs and businesses
  – Nobel Laureate evaluation of all these targets for early 2015
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- Strong message from UN missions
  - Need benefit-cost information *now*
Priorities document

- Looks about 100 targets in current document
- Preliminary
- Shows
  - **Phenomenal**: $BCR > 15$ (super star targets)
  - **Good**: $BCR 5-15$ (top priority in the focus area but not superstar)
  - **Fair**: $BCR 1-5$ (not very high but benefits still greater than costs)
  - **Poor BCR < 1 or poorly specified**: (e.g. the way it is stated is poor, creates wrong incentives, is unrealistic etc...)
  - **Don’t know** how to reach target or what costs and benefits are
Priorities document

- Prioritizing
  - Saying what comes first
  - But also saying what comes last
Priorities document

• It looks at the
  – Economic, Social and Environmental impact
• But it does *not* take into account
  – Political
  – Human rights
  – Communications
• These are definitely important
  – But not part of the contribution from economics
Phenomenal Targets

• Target
  - end reduce by 50% or more malnutrition in all its forms, notably stunting and wasting in children under five years of age

• Phenomenal payback
  - Guatemala

• End vs reduce dramatically
Phenomenal Targets

- Target
  - ensure universal access to comprehensive sexual and reproductive health for all, including modern methods of family planning

- Lower child/mother mortality
- Higher education of women
- Demographic dividend
Phenomenal Targets

• Target
  - by 2030 end the epidemics of HIV/AIDS, tuberculosis, malaria and neglected tropical diseases reverse the spread of, and significantly reduce deaths from tuberculosis and malaria

• Tuberculosis BCR of 15
• Malaria BCR of 35
• HIV BCR of 3.5
Phenomenal Targets

• Target
  - improve market access for agricultural and industrial exports of developing countries

• Short-term benefits of $100-150bn/year

• Because of dynamic effects
  - 2020, benefits escalate to $3-5 trillion/year
  - Towards end of century: $100 trillion/year
Poor Targets

• It may be poor *either* if it is
  – BCR below 1
    • $1 in costs delivers less than $1 of benefits
  – Or poorly specified
    • e.g. internally inconsistent, incentivizes wrong activity
Poor Targets

- **Target**
  - promote the availability of gender disaggregated data to improve gender equality policies, including gender sensitive budgeting
  - Sufficient gender disaggregated data available
  - 'Gender sensitive budgeting' just adds extra bureaucracy
  - The costs are too high relative to any potential benefit
Poor Targets

- Eliminate narcotic drug and substance abuse
  - Difficult or impossible to achieve
  - Hugely costly, little if any success
    - 40% of 9m incarcerated

Nobel economists, others urge end to 'war on drugs'

(Reuters) - Global efforts to thwart the drugs trade have failed and the time has come for a radical rethink, according to a group of Nobel-prize winning economists, a former U.S secretary of state, the deputy prime minister of Britain and others.
Poor Targets

- **Target**
  - double the share of renewable energy in the global energy mix by 2030
  - Renewable energy more expensive
    - Center for Global Development study:
      - $10bn can buy electrification for
        - 20m people with renewables
        - 90m people with gas
Conclusion

• We provide costs and benefit estimates for
  – Economic, social and environmental
• Just one of many inputs for your considerations
  – Political, human rights, communications
• Think of us as price tags on the menu
• Looking forward to hearing
  – your comments and thoughts