

Copenhagen Consensus



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

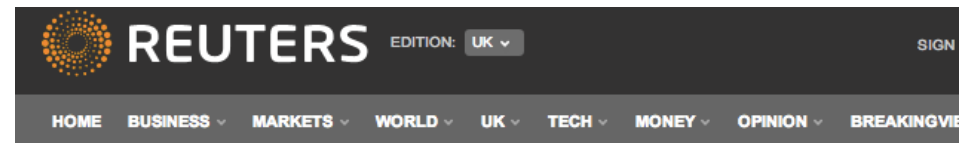
Poor Targets

- 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'

BY WILLIAM SCHOMBERG

LONDON Tue May 6, 2014 12:08am BST

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(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**