



**Australian Government**

**Department of the Environment,  
Water, Heritage and the Arts**



***IMPROVING ECONOMIC ACCOUNTABILITY WHEN USING DECENTRALISED,  
COLLABORATIVE APPROACHES TO ENVIRONMENTAL DECISIONS***

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**BULLETIN NO. 5**

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**Findings from trialing a method for economic evaluation of asset-focused investments under community-based environmental governance**

The previous project bulletin (no. 4) reported that trials of the method chosen for economic evaluation of asset-focused investments under community-based environmental governance had commenced, and detailed the natural assets on which trials were undertaken for each region. It explained that this method built on the Project Assessment Form (PAF) method introduced previously as part of the Investment Framework for Environmental Resources (INFFER). As such, it is referred to as the 'supplemented PAF method'. The PAF method was supplemented to account for 'capacity spillovers' of a project being evaluated that affect the feasibility of a CMA's other investments. For further details of INFFER and the PAF see [www.inffer.org](http://www.inffer.org)

Findings from these trials are now available (from <http://www.ruralfutures.une.edu.au/downloads/WP3.pdf> or the contact details below) in Working Paper 3 from the project entitled 'Economic evaluation of investments in natural assets under community-based environmental governance: Developing and testing a method'. These findings indicate that the major obstacle to the three participating Catchment Management Authorities (CMAs) proceeding to adopt the 'supplemented PAF method' more widely in their investment evaluation procedures is the perception that the method is less practical to apply than their current practices given the available skills of their staff and the time they have available for evaluating investment decisions. The degree to which this obstacle actually represents a barrier to adoption of the method could of course be lessened by finding ways to develop the requisite skills and free up staff time. As participants in the review workshops emphasised, solutions to this obstacle would likely be found were the leadership of the CMAs to commit to applying the method, especially if external support were provided (e.g., for training staff and providing quality assurance).

Even so, adopting the supplemented PAF method all at once may be too much to ask of most CMAs. The INFFER team has reported how it remains under pressure from regional NRM organisations to further simplify the standard PAF method, so it seems advisable to work with CMAs in gaining confidence with this method and embedding it in their cultures before expecting them to build on that method using the PAF supplement. Although discussions during the review workshops highlighted the value that CMA staff saw from the PAF supplement's accounting for capacity spillovers, they also highlighted their lack of confidence in identifying such spillovers and estimating the parameter values needed to quantify their economic impacts. Building this confidence is probably a task that would best wait until CMAs have gained confidence and proficiency in the standard PAF process.

Finally, we can expect CMAs and other regional NRM organisations to feel motivated to account for capacity spillovers when evaluating asset-focussed investment projects only to the extent they feel confident that the investments those spillovers are expected to impact upon will actually occur. The shift in recent years by Australian governments to shorter-term NRM funding commitments and to leaving regional NRM organisations less discretion in how funds are to be invested tends to work against this confidence. Indeed, lack of confidence by regional NRM organisations in their longer-term funding security undermines their motivation to pursue any kind of strategy of building community and socio-economic capacities that have value beyond the short term.

**Contact**

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