



**Australian Government**

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

**UNE**  
UNIVERSITY OF  
NEW ENGLAND



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

A project funded by the Australian Government's  
Commonwealth Environmental Research Facilities (CERF) program.

**BULLETIN NO. 3**

**March 2009**

**Economics for accountability in community-based environmental governance**

Australian governments currently devolve significant powers to regional organisations in respect of deciding how public funds available for environmental management should be invested. Calls to strengthen the economic accountability of this collaborative, community-based approach to environmental management have intensified in recent years. The present project was motivated by concerns that conventional approaches to economic accountability are ill-suited to capturing the kinds of benefits for which the community-based approach was introduced.

A literature review was undertaken to lay the foundations for identifying an approach to economic accountability that is: (a) consistent with stated reasons for adopting a community-based approach to environmental management; (b) cost-effective to apply given the capacities of community-based organizations; and (c) consistent with an 'economic way of thinking'. This review is now published as the project's 2<sup>nd</sup> working paper, entitled 'Economics for accountability in community-based environmental governance'. This working paper can be downloaded from [http://www.ruralfutures.une.edu.au/downloads/WP2\\_373.pdf](http://www.ruralfutures.une.edu.au/downloads/WP2_373.pdf)

Three categories of methods for maintaining economic accountability were distinguished: (i) benefit-cost analysis (BCA); (ii) multi-criteria analysis (MCA); and deliberative methods. These methods are described and reviewed in the working paper. Within each of these categories, we found multiple methods of a more specific nature or purpose. The development and details of the Investment Framework for Environmental Resources (INFFER) are also discussed. This framework was singled out because it was designed specifically to be applied by community-based organisations, and it has found significant support from governments and community-based bodies.

The literature review highlighted the wide range of criteria that commentators on evaluation methods for environmental decisions have indicated should be considered when choosing between such methods. These are brought together in table 6.1 of the document. We argue that advice from economists regarding the choice of an economic accountability method should be responsive to the needs of the 'client' (e.g., government and/or community-based body), as reflected by their judgements of how well each method performs against the criteria of most concern to them.

Nevertheless, the scope to choose between methods for economic accountability depends on how 'economic' is understood by the client. If the client views benefit-cost analysis (BCA) as the only valid approach to economic evaluation, then the scope to choose is constrained to variants of this method. Meanwhile, the theoretical foundations of BCA have come under serious criticism from within the mainstream of the economics profession, and growing numbers of economists are promoting and applying alternatives to this approach (including multi-criteria approaches incorporating deliberative procedures). The working paper seeks to assist stakeholders consider more clearly what they want from economic accountability in the context of community-based environmental management, and how they might choose an approach that best serves their needs.

**Contact**

For information about the project, please contact Dr Graham Marshall, Institute for Rural Futures, University of New England, Armidale, NSW, Australia. Phone: (02) 6773 3250. Email: [gmarshall@une.edu.au](mailto:gmarshall@une.edu.au)