

D 16 - Final List of Criteria for the Development of the Guideline Document

Final List of Criteria for the Development of practical Guidelines

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Colophon



SIXTH FRAMEWORK PROGRAMME

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1. Introduction

This document recommends final criteria for the guidance documents to be produced in the AquaMoney project, building upon the previous draft (D15). The final list of criteria is based on an assessment of the policy maker demand for an integration of economic information in the implementation of the EU Water Framework Directive (D14). D14 was circulated for comments from the project team. However, no changes were suggested or requested. Thus, the final deliverable resembles largely the draft. The assessment of policy maker demand was carried out as an input into the development of the AquaMoney guidelines (D21 and D23), which are to be used for the valuation of environmental and resource costs that arise through the implementation of the Water Framework Directive (WFD). Based on this assessment, a list of criteria has been developed that translates the findings into requirements for the guidelines. Additionally, input from the Advisory Board referring to the content of the guidelines as documented in the minutes of the AquaMoney project meetings can be found in the Annex.

In the vast majority of Member States, work has started on the assessment of environmental and resource costs. Awareness of the issue is generally high. However, the work conducted is often still in an early stage, where the conceptual groundwork is being laid, but no definite decisions have yet been made. A more in-depth assessment of environmental and resource costs is to be expected for the second river basin management plan due in 2015. Thus, there is a continued need for pragmatic, hands-on and yet scientifically solid guidance material, which is also reflected in the responses received.

In order to be useful, guidance material needs to be

- targeted to the audience that will be using it;
- addressing all issues that policy makers deem necessary;
- reflective of the phase in which the policy making is, and the structure of the decision situation (i.e. is the decision problem well structured or unstructured, is there consensus on aims, norms and values or does this consensus need to be established first);
- specific for the policy decision at hand, without being prescriptive, especially not on issues that are decided politically.

2. Target audience

For some part, the **institutional responsibilities** of dealing with economic elements of the WFD have not been decided, especially regarding the assessment of disproportionate costs. Generally, where responsibilities have been decided, an important role is foreseen for the central government. In terms of institutional responsibilities, there are only a few, small differences between cost recovery and disproportionate cost issues.

Many countries **concentrated their activities regarding WFD and economic valuation** within one department of the central government (6 out of 15 countries only delivered one questionnaire filled in by the central authority of WFD-related issues), or delivered a questionnaire that was accorded by several departments of the central government.

The survey identified the following institutions as future responsible entities for dealing with *ERCB* in the MS (individual responses, page 11): national-level institutions, followed by regional-level institutions, then local-level institutions and finally contractors .

Furthermore, *cost recovery* is mainly a topic for (country aggregates, page 13) a centralised agency with economic expertise, followed by consultants with economic expertise.

Similarly, *disproportionate costs* are dealt with by (country aggregates, page 14) a centralised agency with economic expertise and to a lesser degree by local-level staff without economic expertise.

Thus the guidance shall in the first place address national- and regional-level institutions, centralised agencies with economic expertise, consultants with economic expertise and local-level staff without economic expertise. This implies that the guidance will have to be readable for both economically trained and untrained personnel. Another related issue is the relative scarcity of economically trained and WFD-experienced personnel in the New Member States.

To conclude - how can it be ensured that the guidance effectively targets these groups? Essentially a **layman wording should be used**, the use of economic terms has to be kept to a minimum and, where inevitable, these terms have to be introduced and defined. The fact that both local-level and national-level institutions will be involved in the implementation of economic analysis entails that the degree of abstraction, when dealing with the issues at hand, has to be minimised in order for the language to be understandable to laymen.

3. Recommended Criteria

Based on the Assessment of Policy Maker Demand (later on PMD), expectations regarding the properties of a future guidance can be mapped as following:

3.1 Need for guidance on economic aspects

According to the respondents, the aspects where guidance is most urgently required are essentially the ‘bread and butter’ of implementing the economic elements of the WFD, i.e. how to **define environmental and resource costs** and, how to **calculate cost recovery levels for environmental and resource costs**; how to **define disproportionate costs** in the context of exemptions, and how to **assess disproportionality**. Another procedural aspect where guidance was requested is the **process of screening and prioritisation**, i.e. targeting efforts where they are most effective. Consequently, these features shall ideally be covered in the guidance.

On the other hand, respondents dismissed as “not needed” options such as (page 21): ‘assessing the size of the population affected by WFD measures’, ‘communicating results of valuation studies’, ‘commissioning monetary valuation studies’, ‘communicating disproportionality of costs’ or ‘estimating cost-recovery of water services’. It follows that these topics should best be left unaddressed in the guidance.

However, individual respondents suggested giving further guidance on:

- How to define environmental and resource benefits (rather than environmental and resource costs)
- How to perform cost-benefit analyses
- How to use qualitative and quantitative information objectively in order to make consistent decisions in the absence of monetary data
- How to take distribution effects into account.
- How to take affordability (household, sector, societal etc.) into account

or

- Formulate baseline scenarios to which users can relate;
- Present a comparison of various valuation methods in one case study to show whether values are within the same range. Policy makers may be reluctant to certain types of valuation studies, but could perhaps be convinced by such evidence;
- Develop other methods than cost benefit analyses to support the decision on exemptions;
- Offer practical guidance on assessing and communicating benefits without monetary valuation;
- Build up a database on transfer values.

Additionally, it was suggested to include a European guidance on the holistic benefits of aquatic habitats, including both recreational and biodiversity values. (page 23)

As these wishes were expressed only by individual respondents, it can not be concluded that the majority of policy makers would in fact welcome such extensions of the guidance. Still, the above lists can be seen as suggestions for possible additions to the guidance.

Further suggestions regarding the content came from the Alsace workshop and the AC meeting:

- Good balance between cost recovery and disproportionate cost issues needs to be achieved (AC meeting)
- Information on advantages and drawbacks of valuation methods (AC meeting)
- Choice between different valuation methods (AC meeting)
- Distinguishing between nice-to-haves and need-to-haves (AC meeting)
- Ecological quality as well as morphology – not only water quality (AC comment)
- Informative, not prescriptive (Alsace workshop 05/07)
- Role of valuation studies in capturing / describing the benefits of the WFD for human uses – even if these are not monetised (Alsace workshop 05/07)
- Interim results released in time (CBA WFD workshop 11/06)

3.2 Qualities of guidance (style and thematic topics to be covered)

When asked to choose between mutually exclusive properties, respondents valued highest (individual responses, page 23): that the guidance be build in a modular way (against an integrated approach), followed by the wish for a pragmatic guidance (against one rooted in solid science), the need for a guidance that is specific as to which policy decision it regards (against a general validity) and lastly a comprehensive guidance (against a brief one).

If compiled into a weighted ranking (see page 24), then the following list of priorities emerges:

In terms of the qualities of guidance, it should above all **be pragmatic** in its approach. In addition, it should be **comprehensive** and **built up in a modular way** so that the needed information can be easily retrieved. Finally, guidance should be **specifically targeted at the actual decisions** that need to be taken in the WFD implementation.

The resulting guidance material needs to be modular, such that specific problems are addressed following closely the structure of the WFD and related issues: ERCB, disproportionate costs and more [and so on?]. It shall not result in a general work on environmental economics. Rather, issues such as water scarcity, water quality and watercourse restoration shall be dealt with in extensive case studies building the basis for future implementers to scoop from.

3.3 Features

As regards the features that guidance should have, the two elements that are above all rated as useful are **practical explanations of valuation methods** and **illustrative case studies**. Further features that are also considered as helpful are ‘**do’s and don’ts**’ and **information on data sources**. At the same time, references to the academic discourse on valuation, frequently asked questions and basic information on economic methods and their theoretical background are clearly not considered (as) necessary.

Thus, the guidance material should rather include ‘hands on’ advice and extensive case studies than elaborate on methodological issues. The guiding theme can be described as ‘keep it simple’.

3.4 Types of economic information

The respondents were also asked to report on their current or expected future use of (economic) information in order to cover the different economic aspects of the WFD. Although this question deals with the actual use of economic information and does not assess the policy maker demand itself, i.e. policy maker expectations, the findings can be helpful information when adapting the content of the guidance materials. Ideally, the guidance should employ the same type of information basis that will be used in most Member States.

It follows from the analysis that non-monetary, quantitative data will be the main source of information. Qualitative information, although frequently used, generally does not constitute the main source of information. A broad range of indirect valuation methods, such as standard valuation, benefit transfer and original valuation, are of intermediate importance and will be used in the different WFD-related decisions. Moreover, there is a tendency to resort to simplified forms of economic information, such as **standard values, benefit transfer** or **non-monetary quantitative** information. Economic modelling generally plays a lesser role, except when selecting cost-effective measures. The relevance of original valuation studies is generally low. Strikingly, they are seen as most relevant for the selection of cost-effective measures, and lowest for the assessment of disproportionate costs – which is contrary to what could have been expected. At the same time, there are only few Member States that do not intend to use economic valuation methods at all.

Although there is a tendency to use non-monetary data, there is an emerging willingness to include economic information as long as it is easy to generate, such as standard values or benefit transfer approaches. Consequently, it is crucial to include both a list and review of existing valuation results in the guidelines.

3.5 Relevance of economic valuation

Asked about the relevance of economic valuation for decision making, most respondents consider them as relevant, if not essential, for decision making. Yet, in the context of the Water Framework Directive, **economic valuation is considered mostly relevant in the middle stages of decision making**, and particularly so for the communication of a decision to stakeholders and for choosing an option. However, few respondents saw economic valuation as relevant in the early or the late stages of decision making.

Regarding the **attitudes towards economic valuation methods**, the picture that emerges is that the respondents are generally in favour of using such methods, and see them as a valuable addition for decision making related to the WFD. The main qualification that is made by some respondents is that practical limitations, and in particular budgetary limits, may limit the use and usefulness of economic valuation methods.

Thus, it is one of the challenges of the guidance material to encourage the extended use of economic valuation by offering easy-to-use tool kits.

4. Summary

Although a number of issues have been mentioned under each of the headings, it is necessary to single out the most relevant key messages. The main findings of the report show that the guidance shall:

- use simple wording;
- be modular in set-up;
- cover both the use of non-monetary information and of easily accessible economic data;
- encourage the use of economic valuation.

These recommendations reflect both the necessities and the expressed expectations by policy makers, but have no validity beyond the scope of the AquaMoney project.

5. Annex

Members of the Advisory Board commented on the purpose and design of the guidelines at the meetings in Budapest (second Advisory Board Meeting) and Valencia (fifth Project Meeting). These additional comments start with Directorate-General Environment's general expectations regarding the AquaMoney project and its guidelines, followed by a summary of more specific comments on aspects of the guidelines.

5.1 DG Environment's expectations

DG ENV is highly interested in the research results for the implementation of the WFD and has clear expectations regarding the outcomes. However, these results appear to mostly be of relevance for the second river basin management plan (RBMP). Still, that should not be counted as an excuse for an economically insufficiently underpinned first RBMP. There is a substantial need for providing guidance on the assessment of total economic value (TEV), but also on other economic aspects of the WFD, such as the implementation of article 9, although these may not be the focus of AquaMoney itself, hence possibly addressed in an annex chapter.

DG ENV suggests that the guidelines be as complete as possible. A redefinition of terms that have already been defined on a European scale – such as water services – was discouraged.

5.2 Scope

There exists a lot of demand for more general guidance on the economic analysis in the WFD. The AquaMoney guidelines will therefore also refer to existing introductory guidelines for economic valuation of environmental and resource costs and benefits (such an overview is already available), and focus on the main methodological issues in water resource valuation across EU Member States not addressed before in existing guidelines and manuals.

Furthermore, it was proposed to include an indication on the costs of carrying out the different analysis performed in AquaMoney. Even a benchmark to assess whether carrying out a study could be beneficial or not was suggested.

Also, a section detailing the necessary economic knowledge to deal with WFD requirements would be beneficial.

Some member of the Board called for a European summary guideline, collecting the entire previous guidance on water valuation.

5.3 Approach

Some argued that the guidance would be rather technical, although it was very important for policy makers to fully understand issues and limitations of transferability, meaning that the language should be easy to understand. Especially, it would be a welcome feat to include indicators that warn policy makers from using value transfer when it is not appropriate. Standards for assessing how similar sites would have to be in order to allow benefit transfer would also be helpful. Prescriptive elements should thus be part of the guidelines.

The guidelines should anticipate that a substantial fraction of stakeholders opposes economic valuation techniques and therefore dedicate some space to countering these objections.

5.4 Style

An “easy read” section with pictures and graphs illustrating the content would be highly welcomed. Moreover, the entire guidelines should be accessible for non-economists, give a step-by-step guidance and promote the use of economic tools in decision making.