

# Scoping Public Environmental Expenditure for Poverty Eradication in Botswana



Poverty-Environment Initiative Botswana



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### **Poverty-Environment Initiative (PEI) Botswana**

Poverty Eradication Coordination Unit (PECU)  
Office of the President, Government of Botswana  
Private Bag 001, Gaborone  
Botswana  
Tel: +267 3633620/623  
Email: [ruud.jansen@undp.org](mailto:ruud.jansen@undp.org) / [b.modukanele@undp.org](mailto:b.modukanele@undp.org) / [facility.unpei@unpei.org](mailto:facility.unpei@unpei.org)  
URL: [www.unpei.org](http://www.unpei.org)

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# Scoping Public Environmental Expenditure for Poverty Eradication in Botswana

Murali, R.S. and Jansen, R.<sup>1</sup>

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**ABSTRACT:** Public Environmental Expenditure Reviews (PEER) are playing a major role in providing feedback to governments and other stakeholders on the status of environment and natural resources related spend and initiatives undertaken in a country. Mainstreaming of environment is taking place at a rapid speed across the world and PEER studies are increasingly finding a rightful place as a monitoring or reform tool for broad environment and development objectives. This paper advocates the value of undertaking preliminary analysis and scoping as a prerequisite for a detailed PEER based on the observations of the authors who recently collaborated in carrying out a scoping study in Botswana. Apart from providing clarity on the way a PEER is to be conducted, scoping helps in aligning the detailed PEER to environmental and developmental priorities including poverty eradication. It validates the focus required and elucidates the limitations in the data availability thereby rationalising resources and optimising the effectiveness and efficiency of the exercise.

**KEY WORDS:** environment – expenditure review – public environmental expenditure review – public expenditure analysis – environmental management – environmental governance – natural resources – natural resource management – poverty-environment linkages – poverty eradication.

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## Introduction

Public Environmental Expenditure Reviews are increasingly gaining the attention of policy makers across the globe. The traditional focus of public expenditure reviews (PER) as part of economic policy reform processes is getting specialized in areas like environment, including climate change and biodiversity, and natural resources, with a link to social development. Inter-linkages have been established between public expenditure reviews which were purely economic and environment and natural resources management analyses which were predominantly technical.

The unified approach towards making public expenditure reviews beneficial to a wider economic and social policy framework and stakeholder base is an important reason for the increased interest in PEER. This paper seeks to contextualise PEERs and discusses the case of Botswana, based on a recently concluded PEER Scoping Study. The analysis emphasises the context and benefits of a scoping exercise and the key finance, environment and development issues which come into play.

## Public Environmental Expenditure Reviews

According to IIED<sup>1</sup>, “A Public Environmental Expenditure Review (PEER) examines government resource allocations within and among sectors, and/or at national and subnational levels of government, and assesses the efficiency and effectiveness of those allocations in the context of the environmental management framework and priorities. In addition, it identifies reforms needed to improve the effectiveness, efficiency and sustainability of public spending for environmental management”.

Thus apart from the regular expenditure assessment a PEER looks at the distributions and allocations to the environment sector as well as the allocation efficiencies and operative effectiveness. The latter also links environmental spend to social development objectives including poverty eradication.

Markandya<sup>2</sup> et al (2006) stress the data requirements and the information PEER yields for

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<sup>1</sup>IIED, Profiles of Tools and Tactics for Environmental Mainstreaming, No. 12 PUBLIC ENVIRONMENTAL EXPENDITURE REVIEW ([www.environmental-mainstreaming.org](http://www.environmental-mainstreaming.org))

<sup>2</sup>Anil Markandya, Kirk Hamilton, and Ernesto Sanchez-Triana, (2006), “Getting the Most for the Money — How Public Environmental Expenditure Reviews Can Help” – Environment Strategy Notes No 16, World Bank

policy changes and investment projects. Swanson and Lundethors (2003) argue the role of public environmental expenditure reviews in putting into practice the government's environmental management policy<sup>3</sup> with its associated relevance to a social (poverty) agenda<sup>4</sup>. Thus PEERs provide the link between policy and the process of governance.

Possibly the most important benefit of PEER is to understand the status of environmental governance of a state. Since environment is part of overall development both in terms of providing an ecological as well as an economic base, PEERs are being recognised as M&E tools to provide feedback on governance.

In countries like Botswana where natural resources play a major role in the economy and, by association, in the social welfare infrastructure, the need for a PEER cannot be underestimated. The country has natural resources ranging from minerals such as diamonds, coal, copper, nickel and gold to wildlife and unique ecosystems such as the Okavango Delta which contribute significantly to GDP. In such cases a PEER can play a significant role in guiding and monitoring the management and governance of public resources for the benefit of the entire nation.

For any public expenditure review the following ingredients are considered necessary (SDplanNet)<sup>5</sup>:

- what was planned to be spent (the budget);
- what was actually spent (in terms of expenditures);
- what was achieved (outputs); and
- whether these achievements met policy objectives (outcomes).

This definition goes beyond just the expenditure by linking the expenditure to the outputs and outcomes which is critical in a successful PEER.

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<sup>3</sup> AuPhil Swanson and Leiv Lundethors (2003), "Public Environmental Expenditure Reviews (PEER)", Experience and Emerging Practice, ENVIRONMENT STRATEGY PAPERS NO. 7, World Bank

<sup>4</sup> In Tanzania the PER for the environment aimed to "...establish the level of environmental expenditure required to meet the country's environmental priorities and poverty reduction objectives" (VPO, 2004)

<sup>5</sup><http://www.sdplannet-ap.org/Pages/tool-peers.aspx>

## Experience with PEERs

Initial analysis from six reviews<sup>6</sup> indicates that for a balanced content a PEER would need to include the following:

- Definition of environment and environment expenditure/revenue
- Policy and institutional framework
- Budget mechanism and fund flow
- Analysis of revenue pattern
- Analysis of expenditure pattern
- Funds from multi/bilateral projects
- Linkages between various institutions
- Focus on specific issues e.g. poverty, climate change, biodiversity, MEAs, pollution
- Key environmental issues which require action (fiscal reform, agencies, PAs)
- Capacity analysis of the implementing agencies and capacity building needs

## Relevance of Scoping PEERs

Should there be scoping study at all? Is scoping not an additional burden (expense)? Does it add any value at all? Does it not delay the PEER process? – are some of the questions that are raised. These questions need to be answered. There are costs associated with the scoping study, but the authors are convinced that the benefits outweigh the costs. Some of the key reasons in this regard are discussed.

Countries are at various levels of maturity in environment management. Right from policy to operations countries differ in their abilities to address issues. In some countries environmental policies are well established and monitored. In others legislative sanction and intent may be present with weak implementation support making them into potential laggards. However in every country environment related issues have gained priority in the recent times. These priorities need to be well understood before undertaking a PEER otherwise it could result in having to revise the focus of the study after commencement.

Environmental spend alone may not be the best indicator of good environmental management as good governance is critical in setting priorities and providing guidance and leadership.

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<sup>6</sup> Tanzania (2004), Kenya (2009), Bhutan (2009), Rwanda (2010), Mozambique (2012) and Madagascar (2013)

Expenditure is no doubt an important element to understand the intents of the government, however if they are supported by policy and institutional arrangement the internalization and sustainability of the entire process are affected. So while planning a PEER country sensitive requirements need to be assessed.

Considering the various national developmental priorities and levels of environmental management, PEER objectives need to be clearly articulated. For instance availability and robustness of required data could be an issue, as could be the lack of environment related legislation and/or regulations. So the extent of the review in terms of the width of coverage and the depth of analysis is best identified through a good scoping study.

The institutional and administrative mechanism for environmental governance would influence the scoping study. All matters relating to environment may not be dealt with by only one unit of the government (say a single ministry or a department). This increases the complications as aggregation of data from multiple ministries is definitely complicated. Also, all the departments under a ministry may not deal with environment matters; this further complicates the information flow and aggregation. If these are identified at the scoping stage, then the main PEER study can focus accordingly.

Data availability, quality, and integrity need to be examined. Disaggregated data may not be available in the correct format or as may be needed to fulfil the proposed objectives of the PEER. This may limit the PEER and/or call for possible data alternatives.

A very important aspect in this regard is the way in which the expenditures, revenues, the departments and ministries are codified in the budgeting/accounting systems. This single point can limit the study to a great extent. This will also provide information on the granularity of the data points available. For instance, if only national level data are available sub-national, analyses will not be

possible. Similarly, if administrative heads of accounts are only available then a functional analysis of the expenditures cannot be done.

A scoping study should also include an assessment of the political economy and provide information about focus and commitment towards achieving environmental and developmental objectives. How these are translated into legislation, policies and programmes may greatly determine the scope of a full PEER.

In the absence of a scoping study, a study team may focus on matters which may not have data support, which may not have relevance for a country's environmental and developmental agenda including poverty eradication, and could result in a misdirected effort. Scoping therefore should provide a realistic outline based on limitations and opportunities which should lead to meaningful results.

### **Example: Initial Analysis of MEWT Expenditures**

The size of the national budget (revenue and grant) of Botswana has been growing steadily except for 2009/10 when there was a reduction (**Table 1**). For 2012/13 the projected revenue and grants is 21.5 per cent over the 2011/12 budget of Pula 34,486 million. Between 2008/09 and 2011/12 balancing of the budget resulted in deficit with the deficit peaking at 12.3 per cent during 2008/09. During 2012/13 the budget had a surplus of 0.7 per cent.

At the national level two budgets are prepared, a Recurrent (Consolidated) Budget that takes care of operations and a Development Budget that takes care of developmental expenditure. The developmental expenditures are funded through the developmental revenue, which is basically balanced by the recurrent budget surpluses and external funding (borrowing from Domestic Development Fund). In fact, the developmental revenues are matched to developmental expenditure.

Table 1: Analysis of Government Budgets 2007/08 to 2012/13

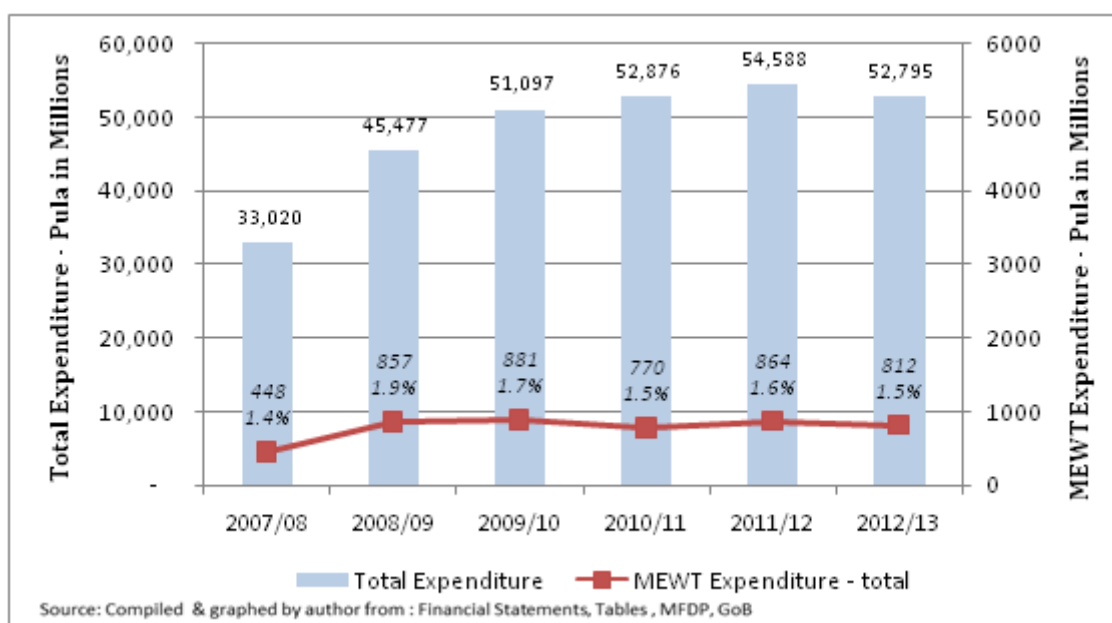
Analysis of Government Budget	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
GDP, current price (P Million)	N/A	74,423	76,861	98,613	112,699	122,500
Growth rate (Per cent)	17.8	7.6	3.3	28.3	14.3	8.7
<b>Budget</b>						
Revenue & grant	28,629	30,455	30,023	31,909	34,486	41,911
<b>Annual increase%</b>		<b>6.4%</b>	<b>-1.4%</b>	<b>6.3%</b>	<b>8.1%</b>	<b>21.5%</b>
Recurrent expenditure	18,579	23,889	25,732	27,089	28,836	31,772
Development expenditure	6,548	11,458	13,006	11,372	9,956	9,357
Net lending	-305	-197	752	-44	-124	-54
Expenditure & net lending	24,822	35,150	39,490	38,417	38,668	41,075
Balance	3,807	-4,695	-9,467	-6,508	-4,182	836
<b>Shares of GDP (Per cent)</b>						
Revenue & grant	35.6%	37.9%	37.4%	39.7%	42.9%	52.2%
Recurrent expenditure	23.1%	29.7%	32.0%	33.7%	35.9%	39.5%
Development expenditure	8.1%	14.3%	16.2%	14.2%	12.4%	11.6%
Expenditure & net lending	-0.4%	-0.2%	0.9%	-0.1%	-0.2%	-0.1%
<b>Balance</b>	<b>4.7%</b>	<b>-6.3%</b>	<b>-12.3%</b>	<b>-6.6%</b>	<b>-3.7%</b>	<b>0.7%</b>

Source: Compiled by authors from Bank of Botswana Annual Reports 2011 and 2012 - Table 1.3

**Graph 1** (below) shows the relative size of the budgets. Note that the Ministry of Environment Wildlife and Tourism (MEWT) budget has been shown in line with a different vertical axis (on the right) to show the trend. As shown in the graph the MEWT expenditure has been less than 2 per cent of the total national budget. During 2012/13 it was 1.5

per cent of the total expenditure. This shows that MEWT by itself is not a big spender. However, the budget of MEWT on its own does not represent the full expenditure for environmental purposes as environment related expenditures are being made by several other ministries as well.

Graph 1: Total expenditure vis-à-vis MEWT expenditure (2007/08 to 2012/13)





In Botswana the environment related spends (MEWT expenditure) as percentage of GDP (2012 Dec) works out to 0.721 per cent<sup>7</sup>. This is better than the global average of many of the countries.

Development Finance International and OXFAM (May 2013)<sup>8</sup> indicate that environment spending rose very slightly (by 0.02 per cent of GDP) from 2008 to 2012 for all countries, whether they had an IMF programme or not. Spending was relatively volatile for all three groups (IMF programme countries, non-IMF countries, and all countries), rising in 2009 and 2011, but falling in 2010 and 2012. It remains very low, at less than 0.3 per cent

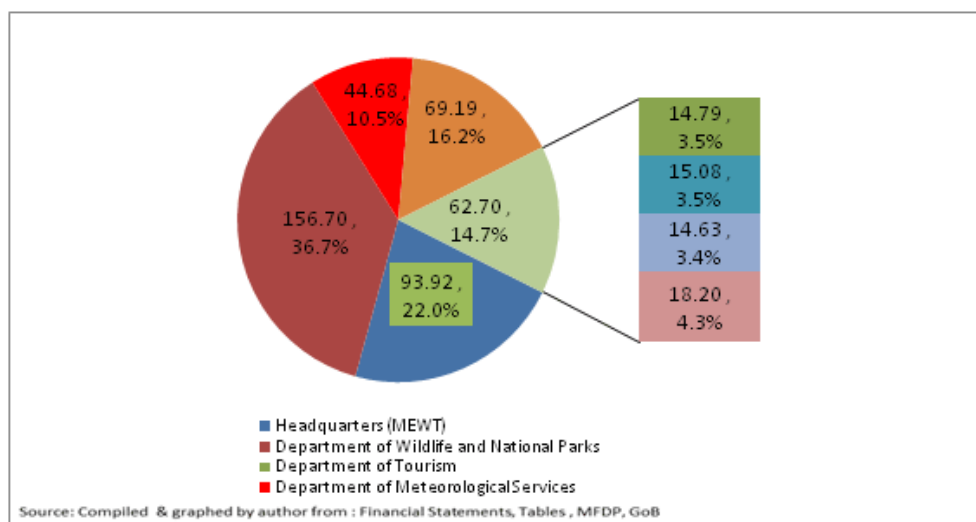
<sup>7</sup>This is based on 112699 M Pula for 2011/12 as on 31.12.2012 (Bank of Botswana Annual Report 2011-12, pp-72, Table 1.3) and MEWT budget of 812 M Pula as on 31.03.2012.

<sup>8</sup>Development Finance International and OXFAM (May 2013), MDG spending in Developing Countries, Research Report, pp-30.

of GDP and 1 per cent of government spending. Despite the renewed global focus on the importance of tackling climate change and on sustainable development, there is little sign that spending is rising to address these needs.

The analysis of the recurrent expenditures of the MEWT (**Graph 2**) shows that there are huge variations between the expenditure incurred by various departments. Department of Wildlife and National Parks incurs 36.7 per cent (Pula 156.70 million) of the total recurrent expenditure of MEWT while the Department of Environment Affairs spends the least with 3.4 per cent (Pula 14.63 million) of MEWT's expenditure. This shows that the former department incurs over ten times the DEA. This indicates the range in the expenditure size. It needs to be examined whether this reflects the intentions of ENR management per se.

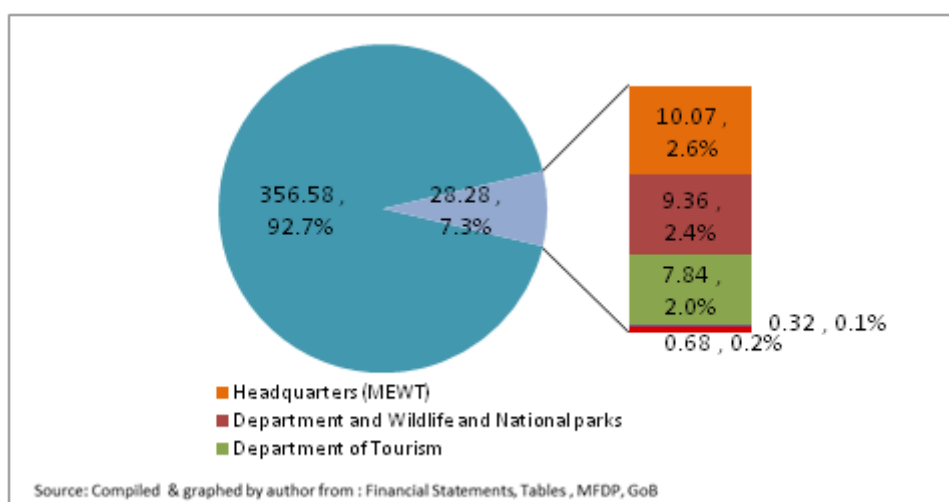
**Graph 2: Recurrent expenditure of departments under MEWT (2012/13) (pula in millions)**



In the case of development expenditures, the major share is by the Department of Waste Management and Pollution Control, 92.7 per cent (Pula 356.58 million), while the share of Department of National

Museum and Monuments is just about 0.1 per cent (Pula 0.32 million). It may be noted that the Department of Environment Affairs and the Department of Forestry and Range Resources do not have a development budget (Graph 3).

Graph 3: Development expenditure of departments under MEWT (2012/13) (pula in millions)



The approach was to understand the extent to which Botswana had a PEER readiness. Hence the methodology adopted was explorative. Since environment related matters are handled by several ministries/departments, apart from the Ministry of Environment, Wildlife and Tourism (MEWT), a closer look at the way these expenditures are incurred across Government needed to be understood. Major areas of focus included: policy initiatives, budgeting process, the accounting structure, reporting methods, review mechanism, audit, computerization of the accounting information, cash flow management in the government, man power deployment, etc. Depending on the level of clarity in the established processes, and the documentation available the study identified the core areas that required concentration.

The scoping study looked at the opportunities and limitations of relevance to the PEER study. Accordingly, various issues that could influence the PEER were examined.

- Lack of required policy guidelines:** Despite the fact that Botswana has a multitude of policy frameworks such as the National Development Plan and a National Conservation Strategy, it does not have a cohesive strategy with clear milestones and indicators against which environmental performance may be measured. Environment expenditure incurred can thus not be evaluated for efficiency or effectiveness. Even a comprehensive definition of environment, environmental expenditure, and environmental management is absent;

- Lack of umbrella legislation:** Although thirty three (33) pieces of (environmental) legislation were identified during the scoping study, a comprehensive legislative framework (omnibus) linking various legislations and giving specific powers to executive authorities has not yet been established. Many of the legislations do not seem to have regulations and hence implementation is rendered difficult;
- Information spread across government:** The information in relation to environmental aspects is divided over various ministries and departments across government apart from those initiatives with support from international development partners. Consequently, information on, for example, the number and costs of Government-funded Environmental Impact Assessments (EIAs) cannot be obtained from a single office. This, coupled with the extent of computerization and limitations in budget coding tracking of information on environmental related issues, becomes enormously cumbersome.

**Table 2** shows that the current functional classification system in Botswana by and large follows the IMF manual with the exception of functions for safety, religion / culture and environment; the system does not have a specific line item for 'environment' nor for 'natural resources'.



**Table 2: Functional classification comparison of IMF and Botswana systems**

IMF Manual <sup>9</sup>	Botswana Functional Classification
701 General public services	1 General public services
702 Defence	2 Defence
703 Public order and safety	
704 Economic affairs	8 Economic services
705 Environmental protection	
706 Housing and community amenities	6 Housing, urban and regional development 7 Other community and social services
707 Health	4 Health
708 Recreation, culture, and religion	
709 Education	3 Education
710 Social protection	5 Food and social welfare programmes
	9 Unallocated expenditure

Under Economic Services (Code 8) items like Agriculture, Forestry, Fishing, Mining, Electricity and Water Supply appear. Similarly under Other Community and Social Services (code 7), the item Conservation and Wildlife (7.3) appears. However these may not cover all aspects of environment or natural resources management.

From the departmental classification of the budgets it may not be possible to understand the major environmental or natural resources objective/function related expenditure. This is due to lack of clear-cut definition of such objectives and functions, and the limitations in the budget coding system.

This means that cross-sector functional analysis across departments is not possible through the current budgeting and accounting system

- **Limitations in data creation:** The data creation currently is based on the configuration of revenue and expenditure provided in the Government Accounting and Budgeting System (GABS) software. The data creation helps in identification and analysis of various budget heads and are useful for administratively addressing issues (that are typically governmental);
- **Limitations in budget coding:** As discussed earlier the budget coding used for the recurrent budget provides ministry, department, parent,

child levels of details. However, these are not on the technical requirements of an environment related project. For instance the expenditure incurred for pollution prevention or environment maintenance may not be easily identified;

- **Limitations in using the data:** Data usage is restricted as structured reporting for the management of environment related matters is quite limited. Also since there is lack of specific environment related parameters for which reports are generated the data in the system has restricted usage;
- **Limitations in review mechanism:** In general a review mechanism determines the success of operational plans. The lack of a structured review mechanism to evaluate any particular progression in relation to environmental matters results in the system being inadequate to provide an overall picture of the status of the country in terms of environment related finances and management matters;
- **Lack of harmonization of various efforts across ministries / externally aided projects:** There are various agencies like the UNDP, World Bank, JICA and GEF which fund environment related projects. However, there seems to be no comprehensive information available in a structured way to look at the objectives, fund flow and the progress of such projects;
- **No overall inventory of environmental assets:** While there is a multitude of initiatives across various ministries, there is lack of a comprehensive inventory of all environment related assets. However, efforts to initiate Natural Capital Accounting (NCA) are on-going. These have to be in consonance with the efforts in accrual accounting. NCA has to be a sub-set of accrual accounting in order to curb otherwise huge costs;
- **Limited understanding of overlapping / duplicating purposes and efforts:** Due to the various issues discussed in this paper, it is currently difficult to identify various potentially costly duplicate or parallel efforts undertaken by various agencies and offices in relation to the environmental mandate;
- **Issues of capacity:** With regard to capacity there are two issues: systemic and human resources related capacity. Due to the lack of

<sup>9</sup> IMF (2001), Government Finance Statistics Manual, Classification of Outlays by Functions of Government, pp-182

well-defined environment management system, what needs to be measured, monitored and managed has not been laid out properly. Accordingly, the human resources deployed for environment related projects may not be in alignment with requirements of the interventions. Also, there is a need for specific capacity building activities in the area of environmental management;

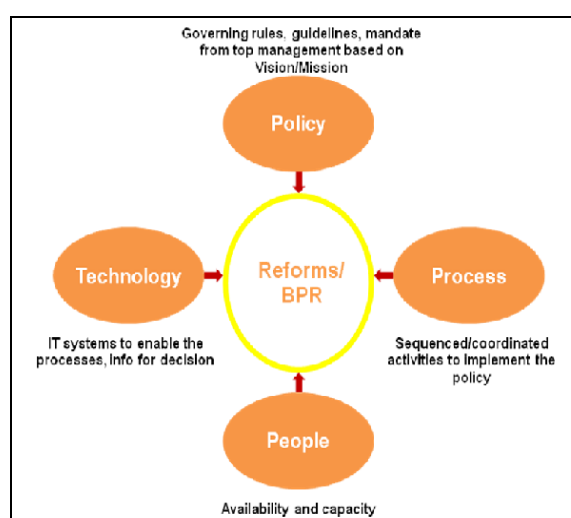
- **Inadequate computerization:** Computerization that would capture and report required information for decision making and understanding the status of various environment projects is lacking. While there could be so many reasons for the same, an alignment in this regard would contribute towards efficient environment expenditure management;
- **Lack of KPIs for review:** Identification of Key Result Areas (KRA) and Key Performance Indicators (KPI) is essential. Since these have not been specifically identified for various facets of environment related and development issues, getting a comprehensive idea about environment management and social issues may be difficult;
- **One ministry but many cross-cutting environment issues:** This has arisen out of historical facts and can restrict analysis if the information flow and management systems are not designed to overcome such structural limitations. In Botswana there are over half a dozen ministries which deal with environmental matters and there is need to align the flow of various environmental data;
- **Lack of costing of services:** Environmental related services are provided across the country through various institutions. In some of these institutions the government has also started collecting revenue. However, currently the government does not know the cost of such services. With increasing expenses and changing economic conditions service costing is important and needs to be addressed;
- **Lack of approach to understand the subsidy passed on and hidden subsidies, etc.** Most of the environmental projects are subsidized. Various environmental initiatives are done with the public good in mind and generally the financial/economic value is not assessed. But this trend has to change. The policy makers need to understand how much of subsidy has

been passed on for such purposes. Such information is essential to promote public private partnerships that are becoming an essential part of infrastructure creation and maintenance across the world;

- **Lack of extension and empowerment:** Government has limited capacity to sensitise the public with environment related information to make them environment-sensitive. However, stakeholder knowledge and participation can lead to improved conservation and utilisation of environmental resources with positive spin-offs through reduced environmental degradation, littering, and poaching, as well as improved sustainable livelihoods and rural development on the basis of wise utilisation of natural resources and ecosystem goods and services.

## Lessons Learnt

The scoping exercise has resulted in a set of lessons which would be important for consideration for any PEER. The paper uses a well proven strategic model for analysing the lessons learnt from the perspective of implementation. The 3PT™ Model developed by one of the authors is used to provide a useful approach for capitalizing on the benefits arising out of this scoping exercise. These lessons lead to comprehensive environment management systems (CEMS). From these perspectives if the scoping is done then they would benefit the layers in the government to take appropriate decisions, as fallout of the scoping study and the following PEER exercise.



## Policy

- Unless policy perspectives are documented specifically for environment it is not possible either to implement them or monitor them.
- It is advisable to have an umbrella legislation covering various aspects of environment aspects, supported by regulations so that authority for implementation is clear.
- The themes and sub-themes under which initiatives have to be implemented and monitored need to be identified and the agencies involved should be clearly earmarked.

## Process

- The planning (budget) process and the accounting procedures need to be grouped based on the environment related themes and subthemes so that they could be monitored properly irrespective of the ministry they are being dealt with.
- KRA/KPI for each of the themes need to be laid out properly in such a way that the performance can be measured in relation to the objectives.
- Both physical and financial parameters for various themes/sub-themes and wherever required for various phases of implementation are required.

## People

- The deployment of people across various environment related initiatives who have been trained in understanding and monitoring both technical and financial aspects is needed.
- There is a need to sensitise various stakeholders including the public in order to make impact in various environment related initiatives.

## Technology

- Technology plays a major role harmonising various requirements across levels of governance and hence design of the data flow and environmental reporting (KRA/KPI under every theme/sub-themes across ministries) should be planned properly.
- Technology can also play a major role in making the information available to the public and stakeholders in a transparent manner through websites and other media.
- Technology could be used to sensitize people and also provide interactive information where required.

## Usefulness and Limitations of a Scoping Exercise

The need for a scoping exercise as a step towards a successful PEER study has been established by the Botswana experiment. This is due to the following contributing reasons:

- The scoping study provides an insight into the overall environmental management and practices and initialises the same for the detailed study;
- Based on the limitations (in data integrity/quality/availability, etc.), the detailed study can focus on selected areas only;
- The scoping study brings out the local flavour and ethos that need to be stressed in the PEER study which otherwise will not be available;
- The scoping study identifies areas where the full PEER needs to focus, go deeper and expand;
- The exact coverage in terms of organizational units within and outside government, in terms of estimation of the man days required for the detailed PEER, the appropriate resources required can be more accurately estimated;
- The scoping exercise furthermore brings about sensitivity in the minds of involved institutions and persons, and provides a basis for continuity for when the detailed PEER exercise is undertaken;
- Above all, it provides clarity as to the extent and limitations of a PEER exercise and saves both cost and time, leading to a better structured and defined full PEER.

Limitations in a scoping exercise may arise from lack of clarity in the Terms of Reference, limited time availability, lack of cooperation by stakeholders, and lack of capacity and expertise of the team undertaking the study.

## Focus on Poverty

As mentioned above, it is crucial to undertake a PEER for a purpose. Analyses of environmental expenditures may lead to interesting observations on various aspects of spends by different institutions in the environmental field. However, the crux of the exercise should be in trying to establish whether environmental expenditures have contributed to set objectives and targets.

Have environmental expenditures resulted in improved natural resources management, reduced environmental degradation or pollution, which may adversely affect the poor, or indeed have the

expenditures resulted in more sustainable use of natural resources which in turn has lifted more people out of poverty?

These are crucial considerations for the PEI Botswana programme and are expected to undergird and guide the undertaking of a full Public Expenditure Review for the Environment and Natural Resources sector.

<sup>i</sup> About the authors: **Dr. RS Murali** is Managing Director of NCR Consultants Limited, Chennai, India and **Ruud Jansen** is Technical Advisor with the UNDP-UNEP-Government of Botswana Poverty-Environment Initiative (PEI), based at the Office of the President, Poverty Eradication Coordination Unit, in Gaborone, Botswana.

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For more Information:  
Poverty-Environment Initiative (PEI)  
Poverty Eradication Coordination Unit  
Office of the President, Private Bag 001  
Gaborone, Botswana

Email: [facility.unpei@unpei.org](mailto:facility.unpei@unpei.org)  
[b.modukanele@undp.org](mailto:b.modukanele@undp.org) / [ruud.jansen@undp.org](mailto:ruud.jansen@undp.org)  
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