

## POVERTY-ENVIRONMENT PARTNERSHIP

# Investing in the Environment to Fight Poverty: the Economic Case, Priorities for Action, and Implications for the 2005 World Summit and Beyond

### *Key messages from a High-level Policy Dialogue*

New York, 14 September 2005

PEP Environment for the MDGs Steering Committee

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#### PEP message (1)

##### **Investment in environmental assets is essential for poverty reduction:**

- Poverty reduction entails increasing assets per person (not just monetary income)
- Poor people are highly dependent on environmental assets (e.g. forests provide 20% of household income in 50 cases presented in the PEP analysis)
- Poor people are vulnerable to environmental hazards (97% of natural disaster deaths are in developing countries)
- Environmental assets provide 26% of wealth in low-income countries
- Yet environmental assets per person are much greater in the OECD: 4 times that in low-income countries

On 14 September 2005, the Poverty-Environment Partnership (PEP<sup>1</sup>) convened a High-Level Policy Dialogue on *Environment for the Millennium Development Goals*. Three panel sessions focused on: (a) the case for investing in environment to reduce poverty; (b) future priorities, building on lessons and results for experience (“what works”), and (c) the implications for the 2005 World Summit and beyond. Discussion was structured around the ideas and recommendations put forward in three papers commissioned by PEP to inform the World Summit<sup>2</sup>.

The meeting was addressed by senior government Ministers from nine countries and a range of other eminent speakers, including Jeffrey Sachs (head of the Millennium Project); Achim Steiner (Director General of IUCN); Jane Weru (Pamoja Trust, Kenya) and Kumi Naidoo (Chair of the Global Call to Action Against Poverty)<sup>3</sup>. Over 300

<sup>1</sup> PEP is an informal network of over 30 development agencies that aims to address key poverty-environment issues within the framework of international efforts to achieve the MDGs. See [www.povertyenvironment.net](http://www.povertyenvironment.net) for more information.

<sup>2</sup> The PEP analytical reports and summaries are: “*Sustaining the Environment to Fight Poverty and Achieve the MDGs: The Economic Case and Priorities for Action*”, “*Investing in Environmental Wealth for Poverty Reduction*” and “*Assessing Environment’s Contribution to Poverty Reduction*”. They are available from <http://www.undp.org/pei/peppapers.html>

<sup>3</sup> See <http://www.undp.org/pei/policydialogueprogram.html> for the event programme.

participants included government officials, academics and representatives of intergovernmental and civil society organisations. The Dialogue was followed by a Head of State dinner, during which a number of important announcements were made. Both events were broadcast live worldwide on the web<sup>4</sup>, and a summary report of their proceedings has been prepared and published<sup>5</sup>.

### **PEP message (2)**

#### **Environmental investments for poverty reduction can be economically attractive**

- There has been severe under-investment in the environment in LDCs to date (both by public and private sectors)
- The 400 cases presented in the PEP report reveal high gains. Experience from Kenya shows benefit to cost ratios ranging from 47:1 to 118:1 for investments in improved household stove technology. Globally, investments in water and sanitation show benefit-cost ratios of between 4:1 and 14:1; agroforestry investments show benefit-cost ratios from 1.7 to 6.1; and wetlands and mangrove conservation investments show ratios of 1.2 to 7.4.
- The total investment requirement for MDG7 is \$60-90 Billion p.a. to 2015

The discussions that took place in the Dialogue confirmed that natural resources can become the wealth that poor people need to lift themselves out of poverty. It has become increasingly clear that access to environmental resources is critical for the development prospects of the poorest people, that environmental management makes real economic sense, and that there is an urgent need for increased and improved investment in environmental management. However, the path is difficult and, without substantive changes in governance and investments, the results will neither satisfy the dreams and aspirations of the poor, nor meet the goals and targets of the world community.

*Hilary Benn: "There is no doubt that investment in clean water and sanitation, in soil that is fertile, and other environmental resources is essential if we're going to make progress in reducing poverty".*

While the Dialogue acknowledged and welcomed the growing body of empirical and factual evidence, it also expressed the need to focus on the reality of poverty, as experienced by millions of people throughout the world. While the statistics say much about the link between poverty and environment, and about the justification for investment, it is in the reality of life in poverty that one can best grasp the intricate relationship between poverty, control and use of assets and means of production, access to water and sanitation, and human freedom and dignity. Environmental issues

<sup>4</sup> See <http://www.undp.org/pei/> for archived webcast.

<sup>5</sup> The summary report has been published by the International Institute for Sustainable Development (IISD) in its *Environment for the MDGs Bulletin*, Volume 114, No. 1, 19 September 2005, available online at <http://www.iisd.ca/sd/pei/>

are at the heart of poverty issues, and they cannot be looked at in isolation from other economic, social and cultural considerations. While there is one Millennium Development Goal that focuses on the environment, it is in the integration of environment and development that solutions to current and emerging crises will be found, and it is only through that integration that the MDGs will be realised.

*Jane Weru: "Poverty is a lack of the very basics of life: it is a lack of water, it is a lack of sanitation and it is a lack of human dignity ... Poverty means living in a single room as a bed-ridden person who is suffering from AIDS and has typhoid and diarrhoea – and having only 40 litres of water a day to do everything that needs to be done for that sick person".*

Speakers highlighted the seriousness and urgency of current environmental issues, and made particular mention of climate change, offering a platform for the exchange of diverging views on possible responses, but also for a consensus on the absolute priority that this issue should now receive, at all levels. Yet, in climate change as in so many other areas, there is insufficient progress, and there remains a wide gap between discourse and action, between commitments and implementation.

### **PEP Message (3)**

**Governance and capacity improvements are needed to ensure poor people benefit from investments:**

- **Putting poor people and local institutions first** in environmental assessment, planning and management
- **Ensuring secure access** to environmental assets and markets
- **Developing systems to assess and track environmental assets** and link to poverty monitoring (maps) and development planning
- **Policy instruments to encourage environmental investment** for poverty reduction such as payments for environmental services, environmental fiscal reform, and micro-credit
- **Reform of subsidies** that harm the poor and the environment
- **Benchmarking donors' environmental support** and allocating a proportion to MDG7 (especially as it is currently off-track)

*Bridging the gap between discourse and action, between policy and practice*

A major gulf still exists between the needs and realities experienced on the ground and the responses that are being provided by institutions at all levels. While it is possible to attribute some of this inadequacy to the complexity of the issues involved, and to the resulting uncertainty, other factors were identified including weak and insufficient political will and commitment, and a prevailing perception that environmental issues are long-term and therefore conflict with short term priorities, as in the case of climate change.

*Adil Najam: “We need to expand from the macro to the micro. It is not only that the poor depend most on the environment, it is also that the poor live closest to the environment. And the levers of policy that you can use in other areas – including, for example, health or economic growth – can not be used for the environment, because national governments simply do not have control over those levers as much as communities themselves.”*

The PEP work is relevant and useful precisely because it helps to fill this gap, because it offers a clear rationale for action, and because it provides a platform for future work. This work must now inform targeted advocacy efforts, and it must lead to cross-cutting analyses and interventions that address key issues such as gender inequality, mainstream economic thinking, human rights and disaster preparedness. At the same time, there is a need for new research initiatives that put these approaches in operation and that identify suitable systems and instruments at the national and local levels.

*Jeffrey Sachs: “Almost all of the environmental degradation that takes place at local level in very poor countries is very site-specific. You need a lot of ecological expertise [but] ecologists are not in the policy discussions by and large”*

*Policies and practices that work: linking poverty and environment, and getting the scope and the scale right*

Vivid and useful illustrations of policies and approaches that work were put forward during the Dialogue, including by people who joined in via the internet. Some of the main messages arising from this debate were:

- The need to work at all levels, local, national and global, and to improve linkages between and coherence among these various levels
- The need to integrate environment into national planning
- The benefits that can be gained from co-management, participation, and partnerships
- The need to change governance arrangements in order to secure the ownership of and access to resources and environmental assets
- The role of the business sector in investment, in good practice (for example in certification and in eco-efficiency), and in the development and nurturing of appropriate skills
- The economic, fiscal, social and environmental benefits that can be gained from systems that charge for ecosystem services.

#### PEP Message (4)

##### Key knowledge gaps need to be tackled:

- **Where the poor live** – in relation to environmental assets and problems
- **Wealth accounts** – environmental assets / damage; household use
- **Biodiversity benefits** (resilience) – and who benefits
- **Resource rights** – for different environmental assets – and why some common property regimes work and adapt better
- **Subsidies** – environmental effects of subsidies for water, fisheries etc, and their distribution

Participants highlighted the need to scale up worldwide investment in environmental management as a central component of efforts to eradicate poverty and reach all the MDGs. A number also took a closer look at issues of scale and scope. In order to be effective and meaningful, it was argued, investments in environment for poverty reduction need to recognise the importance of simultaneous action at all levels, from the global to the local, from the micro to the macro. Experiments and innovations often start at the local level, where they must be suited to local specificities, and they need to be scaled up, by moving from the micro level to the macro level, by translating the lessons of local practice into national and global policy, and also by integrating the environmental dimension into other frameworks and instruments. Three specific agendas emerged from these discussions:

- “greening” markets
- “greening” capital flows
- “greening” development strategies, such as the Poverty Reduction Strategy Papers, national development plans and the new MDG-based national action plans called for in the World Summit declaration

*Ian Johnson: “The PEP analysis is robust and rigorous: it is saying to us that environment matters, that it has a value, and that we don’t always price it correctly ... This allows us to talk to Ministers of Finance, who can be very deaf to the concerns of the environmental movement. [The PEP analysis] says this is not just an environmental issue: it’s a sustainable development issue, it’s a survival issue and it’s an economic growth issue.”*

The need for integrated approaches has long been recognised, and yet it is not happening as frequently and as systematically as it should, as many plans and approaches remain compartmentalised and sector-based. There is therefore a need for continued efforts towards the identification and promotion of cross-cutting and holistic approaches, especially those that can lead to the effective integration of environmental and poverty reduction considerations into economic decision-making and social policy, and to appropriate linkages between key development agendas (poverty reduction, environmental sustainability, cultural diversity, protection of human rights and gender equality).

“Scaling-up” demands that policy and institutional changes are also made at the international level, with new roles for the UN system and international financial

institutions, with new partnerships between North and South, and with new institutional arrangements – notably with the potential of UNEP becoming a UN environmental organisation. This scaling-up of policy change must also extend to informal policy, including individual and collective behaviour.

*Achim Steiner: “How much longer can we afford the kinds of bills we are paying for misinterpreting the interrelationships between people and nature? New Orleans, \$62 billion; Switzerland, one night’s rainfall \$300 million; in central Europe, flooding; in Western Europe, fires; in Indonesia, fires; in Northern Africa, droughts. Billions of dollars of assets being lost – and the poor are the first to lose their assets when these things happen, but they’re not the ones who are able to change the dynamic”*

*Advocating change and action: using information and communication effectively*

The High-level Policy Dialogue provided a powerful reinforcement of the importance of information and measurement. Echoing the PEP report on *Assessing Environment’s Contributions to Poverty Reduction*, it was noted that while it is not possible or desirable to measure all impacts and all interventions, well-focused measuring is an indispensable component of good practice, because it strengthens accountability, it provides information for decision-making, and it allows for policy formulation on the basis of goals and targets. The recent experience of the Millennium Ecosystem Assessment has further demonstrated how useful it is to take stock and to assess environmental assets and issues in a systematic manner. In order to capture livelihood issues, measurements must include both quantitative and qualitative data, at various scales. In particular, it emphasised the need to measure success at the local level, with appropriate scales and instruments.

Information and communication can help to accelerate the pace of positive change and to encourage implementation. While there is a need to deepen our understanding and analysis of complex issues and processes, there is enough evidence to challenge the prevailing silence, there is a need to insist on action to respond to what is already known and to build a sense of urgency, there is a need to tell the truth.

*Hilary Benn: “Since almost all growth in population in developing countries in the next generation is going to be in towns and cities – we’re going to see an urbanisation of many developing countries – the need for investment in a good environment (water, sanitation, making sure rubbish is disposed of, and dealing with some of the broader consequences of climate change) is going to become an increasingly important priority”*

Some practical suggestions for the use of information in support of advocacy and change were put forward. For example, it was recommended that countries be ranked, as a means to compare their performance towards sustainability and to encourage action. More generally, it was felt that data and analyses should be used in a form that is meaningful to all, and that provide people living in poverty with some of the tools they need to transform their lives and create opportunities.

**PEP Message (5)**

**Coalitions and partnerships are needed to link the – too often separate – worlds of poverty and environment debates and action**

- Coalitions should be focused particularly on generating **action and investment**
- The emphasis should be on including stakeholders in **developing countries**
- PEP and others should explore the roles of **local institutions** that can deal with specific environment-poverty issues and trade-offs
- We should identify and clarify the roles of **private sector**

Taking into account the substantial challenges that are faced, the Dialogue provided a unique opportunity to express new commitments, to focus political attention on current and emerging priorities, to highlight the need for alliances and partnerships built on common interests, to illustrate the value of trust and solidarity, and to call on all actors to have the will and the courage to bring meaningful and lasting change.

*PEP follow-up*

The High-Level Policy Dialogue strongly affirmed the PEP analysis and called for action on it. Participants emphasised several key ways in which PEP could follow up on the success of the event. PEP was challenged to engage more with Southern partners and – while also being encouraged to further strengthen its analysis – to move to even more compelling communication on the case for investment in environment for poverty reduction, and especially to supporting implementation. At its post-Summit biannual meeting in Ottawa (13-14 October 2005), PEP members identified the following priorities for future co-operation:

**Action points on country level work:**

- Co-ordinate discussion of possible countries for improved PEP engagement e.g. Ghana, Rwanda, Tanzania (World Bank lead)
- Identify areas for PEP members to lobby jointly in-country (USAID and GTZ lead)
- Inform PEP members of effective approaches for integrating environment into MDG based plans (UNDP lead)
- Inform PEP members about in-country UNDP and UNEP work (UNEP lead)

**Action points on analytical work:**

- Publish “Investing in environment report” by the late David Pearce (IUCN lead)
- Place “Investing in environment” case studies put on website (IUCN lead)
- Complete “Assessment and Indicators” report (WRI lead)
- Short note on new research areas for PEP members (WRI lead)
- Keep PEP members updated of MDG7 review discussions (UNDP lead)
- Pilot test key PEP products with developing country partners (IIED lead)