

Section 3

Planning, Policy and Governance to Advance an Inclusive Green Economy

15

Learning Unit

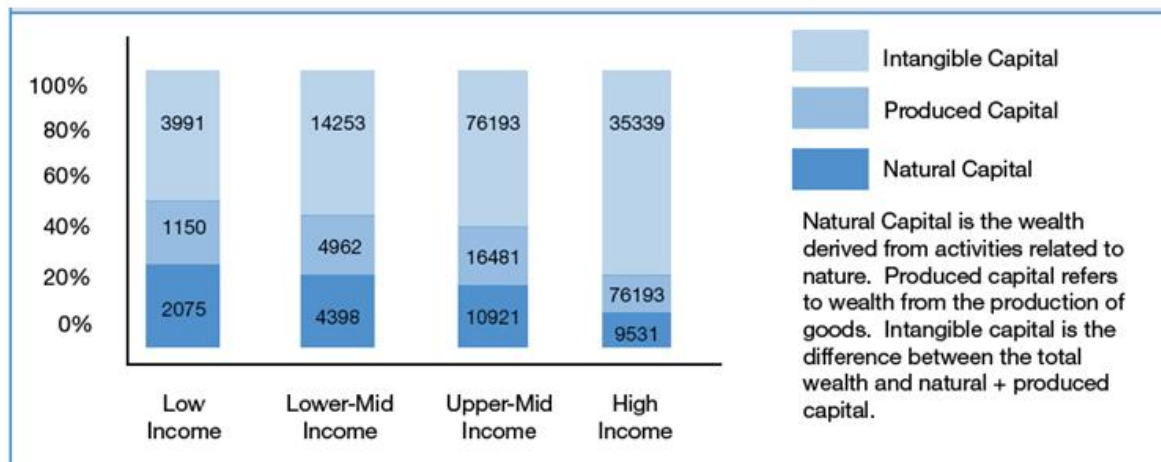
Green Economy and Poverty Reduction

This unit highlights the close linkages that exist between poverty and the environment. A number of benefits for the poor from the green transformation are identified in key economic sectors. Approaches to mainstreaming poverty-environmental considerations into national planning are discussed.

PAGE Green Economy Introductory Learning Materials



The Link between Poverty and Environment



Ferreira, Hamilton & World Bank, 2006

Natural-resource dependent sectors and ecosystem services	Brazil	Indonesia	India
Original share of GDP (%): agriculture, forestry, fisheries	6%	11%	17%
Adjusted share of GDP (%): including non market/ESS	17%	15%	20%
Share of ESS/non market goods of total income of the poor (%)	90%	75%	47%

TEEB, 2010

Speaker's Notes:

- The two graphs on this slide illustrate: 1) the share of income derived from natural capital in the case of different country groupings (Ferreira, Hamilton & World Bank, 2006); 2) the share of wealth derived from natural-resource dependent sectors and ecosystem services (ESS) in the overall GDP in Brazil, India and Indonesia, as well as in the income of the poorest in these countries (TEEB, 2010).
- As the first graph show, the wealth of low-income countries is derived to a greater extend from natural capital. In the case of high income countries greater share of the wealth comes from intangible capital (e.g. service sectors such as informational technology, or banking) compared to natural resource sectors.
- If we look at the income generation within the countries, even though the direct proceedings from nature related sector might not be very high (6% of GDP in Brazil), the indirect/adjusted share of these sector for the economy are already much higher (17% of GDP in Brazil).
- In the case of the poorest populations within the countries, the share of their income which depends on natural-resource dependent sectors and ecosystem services can reach to up to 90% (in the case of Brazil)
- According to a study by TEEB up to (The Economics of Ecosystems and Biodiversity), ecosystem services and other "non-market" goods can account for as much as 47-90% of the so-called "GDP of the poor".
- The high dependence on natural capital by the poor underscores the need for countries to invest in natural capital as a source of economic development.
- As the graph shows, the livelihood of the poor is more directly linked to natural resources and ecosystem services, thus they are more vulnerable to environmental degradation.

- The clear link between natural resources and income generation for the poor indicates that poverty alleviation depends on the wise management of natural resources and ecosystem services.

Key Message

- The impact from natural degradation is felt mostly by the lower income groups, as their livelihood often directly depends on natural capital.

Further Reading:

- UNEP, Sustainable Consumption and Production: A Handbook for Policy Makers, 2012

How can Green Economy work for the Poor?

Green transition benefits the poor by improvements in:	Sectors with greatest potential to deliver on these benefits are:
Livelihoods	Forestry
Health conditions	Agriculture
Resilience	Tourism
	Energy



Speaker's Notes:

- This slide highlights three areas in which the poor can benefit from an inclusive green economy (i.e. through improvements in livelihood, health and resilience), as well as the main sectors in which change can bring the most dividends for the poor (i.e. forestry, agriculture, energy and tourism), according to PEP, 2013.

Livelihoods

- The majority of poor households depend on environmental assets for their incomes and livelihoods (e.g. rural households depend on farming, fishing, hunting and non-timber forest product collection).
- Ecosystem services and other non-marketed goods have been estimated to account for between 47 and 89 % of the so-called "GDP of the poor" (the effective GDP or total source of livelihood of poor rural households).
- Inclusive green economy strategies can lead to policy and governance reforms that give poor women and men greater security of access to environmental assets, and make these environmental asset-based livelihoods more profitable and a viable path for moving out of poverty.

Health

- Health is closely linked to the quality of the environment, especially for poor women and children. Up to one-fifth of the total burden of disease in developing countries, and a large proportion of childhood deaths, are associated with environmental risk factors.
- An inclusive green economy can deliver better and more equitable health outcomes by: more secure access to water and agricultural land to improve nutrition; access to clean household energy (clean cook stoves) to reduce exposure to indoor air pollution; access to clean water to reduce exposure to water-related diseases; improved environmental infrastructure for sanitation, drainage and waste collection; and 'green' urban transport to reduce chronic disease and injuries and improve equity, reduced exposure to natural disasters, floods, droughts, etc.

Resilience

- Poor and vulnerable groups are most affected by climate-related shocks. An inclusive green economy can reduce the impacts from weather changes and extreme weather events in rural and

urban areas by strengthening the resilience of local communities and ecosystems, and can reduce conflict driven by natural resource scarcity and ecosystem degradation.

Forestry

- Many low- and middle-income countries have significant forest areas and/or high potential for forest restoration. These have increased in value with payment schemes such as the Reducing Emissions from Deforestation and Forest Degradation (REDD) initiative, carbon markets and supplemental government resources.

Agriculture

- Potential benefits can be realized if men and women farmers are assisted with gaining access to relevant knowledge, green technologies and green markets.
- Based on the extensive review of data from Africa and Asia, it has been demonstrated that use of green farming methods (such as integrated pest management, integrated nutrient management, low-tillage farming, agro-forestry, aquaculture, water harvesting, livestock integration, nitrogen fixing crops, etc.) resulted in productivity increases of 59 to 179%. Studies have estimated that for every 10% increase in farm yields, there has been a 7% reduction in poverty in Africa; and more than 5% in Asia.

Tourism

- Greening of the tourism sector is expected to reinforce its employment potential, safeguard natural stocks, while fostering green growth and poverty reduction.
- The extent of benefits to local communities and poverty reduction depends largely on the percentage of services and products that are locally supplied.

Energy

- Many low-income countries and poor regions in middle-income countries have abundant sources of renewable energy and can benefit from investments to harness these resources. Mini and off-grid power can improve quality of life in rural areas and create new employment opportunities.

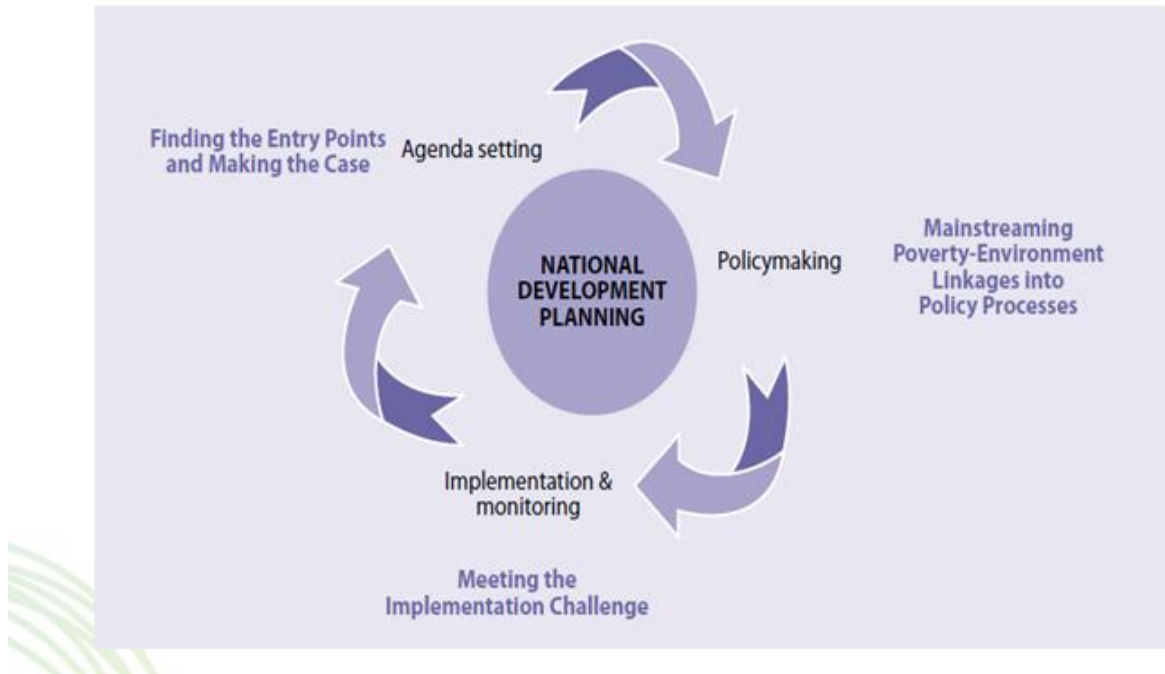
Key Message

- The paper “Building an Inclusive Green Economy for All” by the Poverty-Environment Partnership (PEP 2013) makes the case that a green transition can reduce poverty and inequality.
- Changes in the agricultural, forestry, tourism and energy sectors can substantially improve the livelihood, health and resilience of the poor.

Further Reading:

- PEP, Building an Inclusive Green Economy for All, 2013
- UNEP, Green Growth Report, 2011

Approach to Poverty-Environment Mainstreaming into the Policymaking Process



Speaker's Notes:

- This slide presents in a schematic way a programmatic approach to mainstreaming poverty-environment considerations into the national development planning, as developed by UN-PEI, 2009.

Finding the Entry Points and Making the Case

- This stage of the mainstreaming process includes activities designed to help countries identify desirable pro-poor environmental outcomes and entry points into the development planning process. Key activities include the following:
 - *Carry out preliminary assessments*, e.g. on the nature of poverty-environment linkages and vulnerability to climate change in the country, as well as on the country's governmental, institutional and political contexts.
 - *Raise awareness and build partnerships* with decision makers (especially ministries of finance, planning, economic development, and environmental institutions), based on the preliminary assessments conducted.
 - *Evaluate institutions and capacities needs*, in order to design poverty-environment mainstreaming initiatives, rooted in national and local institutional capabilities.
 - *Set up working mechanisms*, i.e. securing commitment on the part of participants in planning and finance ministries and those in environment-related agencies.

Mainstreaming Poverty-Environment Linkages into Policy Processes

- At this stage poverty environment linkages are integrated into a policy process and the resulting policy measures, such as a national development plan or sector strategy—(previously identified as an entry point). Activities include:
 - *Collect country-specific evidence* via targeted analytical studies such as integrated ecosystem assessments and economic analyses, assessments of vulnerability and adaptation to climate change, etc.
 - *Influence policy processes*. Identifying priorities and target related policy process.
 - *Develop and cost policy measures*, through the development and initial costing of policy measures.
 - *Strengthen institutions and capacities* throughout the mainstreaming initiative.

Meeting the Implementation Challenge

- This stage of the mainstreaming process involves making poverty-environment mainstreaming operational through engagement in budgeting, implementation and monitoring processes.
- These activities are aimed at ensuring that poverty-environment mainstreaming becomes established as standard practice within the country and include the following:
 - *Integrate poverty-environment linkages in the monitoring system*, in order to track trends and impact of policies as well as emerging issues e.g. climate change.
 - *Budget for and finance poverty-environment mainstreaming*, which ensures that policy measures associated with poverty-environment mainstreaming are funded.
 - *Support policy measures at national, sector and subnational levels*, which involves collaborating with sector and subnational bodies and building their capacities.
- *Strengthen institutions and capacities* by establishing poverty-environment mainstreaming as standard practice in government and administrative processes.

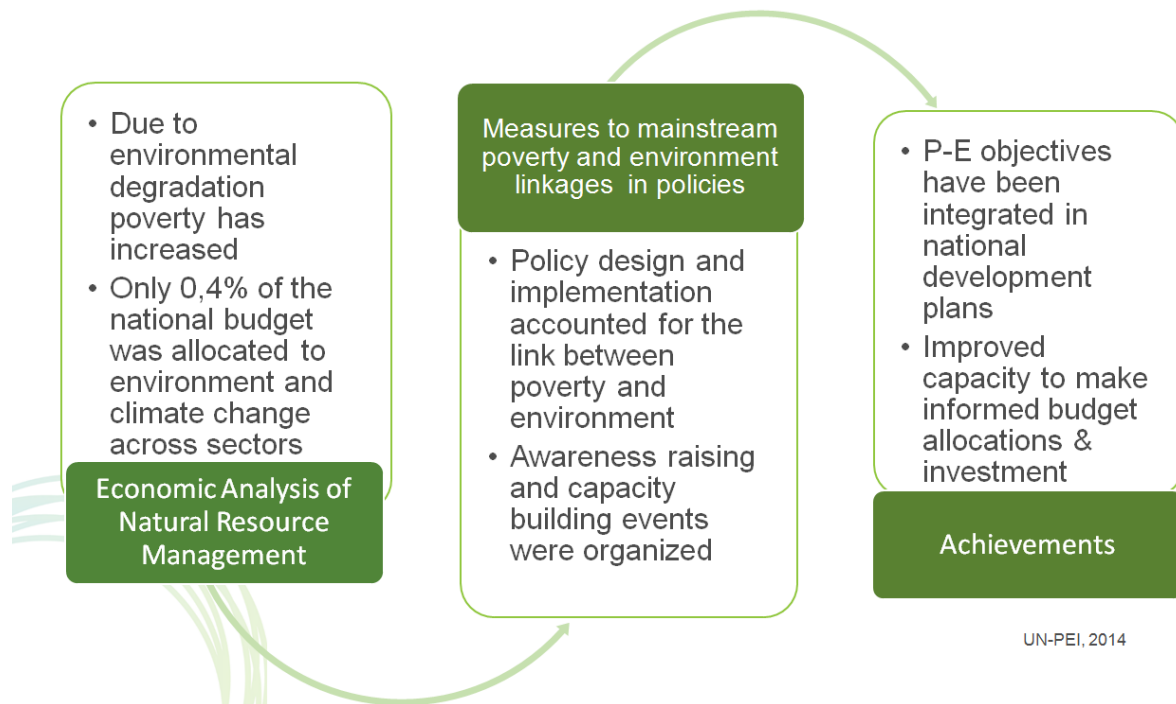
Key Message

- The approach developed by the UNDP-UNEP Poverty-Environment Initiative for mainstreaming poverty-environment linkages into national development planning comprises three components: *finding the entry points and making the case; mainstreaming poverty-environment linkages into policy processes; and meeting the implementation challenge.*

Further Reading:

- The UNDP-UNEP Poverty-Environment Initiative, *Mainstreaming Poverty-Environment Linkages into Development Planning: A Handbook for Practitioners*, 2009

Example: Linking Poverty Eradication and Environmental Policies in Rwanda



Speaker's Notes:

- This slide presents the experience of Rwanda in linking environmental and poverty reduction problems to policy making, as outlined by UN-PEI, 2014.

Economic Analysis of Natural Resource Management in Rwanda

- An economic analysis of natural resource management conducted in Rwanda in 2006, found that due to environmental degradation poverty has increased, people's livelihood opportunities have declined, provincial health budgets were escalating, and soil loss of 15 million tons was costing the country 2% of its GDP
- This natural degradation has been translated to represent a decline in the country's capacity to feed 40,000 people/year;
- The unit cost of electricity rose 167% and electricity generation decreased due to degradation of the Rugezi forest and wetland, which has led to lower water inflows;
- The wetland degradation had detrimental costs on local communities' livelihoods;
- Public Environment Expenditure Review (PEER) has showed that only 0,4% of the national budget was allocated to environment and climate change across sectors.

Mainstream policies that aim to improve environmental quality and decrease poverty (i.e. P-E) in Rwanda

- Pro-active, deep engagement in national & sector planning processes;
- Generation of more specific, detailed evidence to generate specific programmatic & budgetary support for implementation;

- Design, implementation of Rubaya demonstration project – concrete evidence of how sustainability improves the life of the poor;
- P-E interns in 6 key ministries;
- Awareness raising and capacity building initiatives;

Achievements

- P-E objectives have been integrated in national development plans and some sector policies and implementation processes;
- Improved capacity to make informed budget allocations and investment decisions to manage natural resources sustainably for pro-poor development;
- Some sectors have institutionalized environmental sustainability and climate change in budgeting processes;
- Capacity has improved thanks to the practical application of planning and monitoring guidelines.

Key Message

- Economic analysis of natural resources management has showed that environmental degradation was exacerbating poverty-related problems in Rwanda.
- This has called for treating the two problems in close relation and creating policies, implementation mechanisms (budgeting, regulation), and monitoring systems that are closely linked and contribute to both poverty alleviation and ecological preservation.

Further Reading:

- UN-PEI, Green Economy Academy, 2014