

# Part III

Investing in Human Capital and Societal Infrastructure





Farmers control soil erosion through crop cultivation. Rural Development in Southern Lempira, Honduras.

## Chapter 6:

### Making the green economy work for the poor

#### 6.1 Introduction

Despite significant gains in many countries, poverty remains a key challenge across the developing world and affects more than one billion people (UN 2010). Apart from income poverty, other indicators of well-being such as nutrition, maternal and child health, women's empowerment and inequality are also ongoing matters of concern. The task of improving wellbeing along these multiple dimensions is only expected to become harder as the impacts of climate change and ecosystems decline become more acute, with largely negative consequences predicted for millions of poor and vulnerable people in developing countries.

While it cannot be assumed that progress towards a green economy will improve on the rate of poverty reduction achieved by conventional developmental paths, there are ways to maximize the potential for this to happen and avoid trade-offs. As illustrated earlier in this report, a green economy is one where growth in income and employment is driven by investments that:

- Reduce carbon emissions and pollution
- Enhance energy and resource efficiency
- Prevent the loss of biodiversity and ecosystem services.<sup>46</sup>

What are the links between poverty reduction and a green economy? The concept discussed in this report shows that human well-being and equity are core goals of greening the national economy. How could this become a reality in different countries? There is widespread consensus today on how poverty and inequality can be reduced within and across generations. These include the following:

- Sustained economic growth, which is necessary but not sufficient for poverty reduction.<sup>47</sup>
- Economic growth in specific sectors that provide employment, production and entrepreneurship opportunities to the poor. These include sectors where the poor are more likely to find their livelihoods, such as agriculture, fishing, forestry and other natural resources. construction, transport infrastructure and other primarily urban sectors, as well as others where unskilled and manual labour is important. In addition, a growing body of evidence suggests that access to energy by the poor can lead to benefits across multiple dimensions ranging from income to education and health outcomes and the well-being of women (UNDP 2010b).

<sup>46</sup> Ecosystems services are the benefits (goods and services) to human well-being provided by ecosystems, and include provisioning, regulating, supporting and cultural services (Millennium Ecosystem Assessment, 2005).

<sup>47</sup> For example, a joint report on MDG progress by the African Development Bank, African Union Commission and United Nations Economic Commission for Africa (2010) finds that despite recent strong and persistent economic growth in the region, the joblessness of growth remains a major impediment to reducing poverty. Cross-country studies confirm that, on average, growth tends to be positively correlated with improvements in the incomes of poor people overall (World Bank, 2005). Growth also tends to be positively correlated with improvements in food supply and protein and calo¬rie intake (Haddad, 2003). Averages, however, conceal the fact that the poor often gain proportionally less.

- Redistribution of the benefits of growth through public spending in the provision of equitable, quality services (in, e.g., health, education, water and sanitation) and social protection for the poor that helps improve their - and their children's – skills and productivity. In turn, the poor boost growth when they are equipped with assets and resources to take part in the development process.
- Proactive focus on women. the excluded, and hard to reach population groups who may need special help to gain access to employment and quality services. These may have important multiplier effects, positively affecting several dimensions of well-being. Educated mothers, for example, tend to have better nourished and educated children.
- Empowering the poor and marginalized - including women - to play an effective role in the decisions that determine their long-term well-being. In some countries this includes refugees, some of whom are refugees due to ecological insecurity or resource conflict and who would benefit from employment generation if governments would allow them to participate fully in the labour market.
- Providing protection against negative shocks - including those arising from global crises such as those due to high food prices - so as to avoid slowdowns or reversals in poverty reduction.

Comparing these with the three priority investment targets of a green economy - reducing carbon emissions and pollution; enhancing energy and resource efficiency; and preventing the loss of biodiversity and ecosystem services - it is clear that the relationship between the green economy and poverty reduction is not straightforward, but can be expected

to exhibit possible tradeoffs and possible synergies. Understanding and balancing these overall goals would require accurate assessments as well as carefully calibrated policies and measures.

As it is the poor who are predominantly dependent on ecosystem services, green economy initiatives to prevent the erosion of these services can be important in reducing poverty levels to the extent that they also safeguard the livelihoods of the poor who draw upon them. On the other hand, investments to reduce carbon emissions and pollution need not generate jobs in sectors that employ the poor, even though reducing polluting impacts that often have the worst impact on the poor. Clearly, improved health and quality of life due to avoided pollution needs to be accompanied by improved income and quality of life due to direct and formal employment. In some economies, green investments could also help offset any potential increases in emissions and pollution as a result of growth in sectors that actually employ the poor, thus enabling the economy as a whole to move to a greener path while achieving poverty reduction objectives.

In general, a green economy that works for the poor might be expected to display the following characteristics:

- It maintains growth and reduces emissions for the economy as a whole, while promoting the creation of jobs and other economic opportunities in sectors that predominantly employ the poor.
- It generates adequate amounts of public revenues to allow investment in social protection and quality services with equitable access by the poor.
- It retains biodiversity and ecosystem services, while seeking to maintain in sustainable ways the livelihoods of the poor who are directly dependent on them.

- It enhances energy and resource efficiency in the economy, including through the equitable access to energy by the poor and the promotion of its efficient use.
- It ensures resilience to environmental (and other) risks through developing adaptive capacities.

Achieving these objectives will require governments to weigh apparent trade-offs and dilemmas of short- versus longer-term investment returns, identifying alternative policies and measures. Maintaining biodiversity and ecosystem services might, for example. limit the number of sustainable livelihoods that can be supported, thus requiring the consideration of other forms of economic opportunity for the poor. Possible policies and measures might also provide opportunities for developing synergies. As an example, South Africa's Working for Water initiative started during the 1990s to advance a public employment approach by employing the poor in the highly labour-intensive work of clearing invasive alien vegetation to restore stream flows and water availability. The resultant improvements in land productivity and biodiversity enhanced the provision of ecosystem services, while also strengthening the livelihoods of those dependent on them.

The externalities associated with some of these green economy initiatives may require the active use of well-designed policy instruments to maintain appropriate incentives. For example, the protection of forests in one place to improve carbon sequestration and mitigate climate change would have global benefits. Yet lower levels of income might accompany this in the short term for those whose livelihoods are tied to the forest, requiring some form of transfer from beneficiaries in other locations.

The movement to a green economy will take place against a backdrop of other longer-term transitions, such as increasing urbanization, altering demographic structure and structural change in developing country economies. These transitions are taking place concurrently, albeit at different rates and in different ways, in each country. They present both challenges and opportunities. Policies and measures that promote a green economy with lower levels of poverty would need to recognize and be responsive to these.

# 6.2 Helping a green economy to work for the poor

Several policy and programme approaches in recent years have been proven to be effective in promoting a propoor economy, one that also has green foundations. These include:

Low carbon, sustainable agriculture to maintain growth, address poverty, food security and ecosystem services: A majority of the poor live in rural areas and depend on farming for their livelihoods (World Bank 2008). Low carbon, sustainable agriculture has the potential to promote growth, employment and food security while assisting with nutrient cycling and maintaining ecosystem services. This potential can only be realized if poor men and women farmers can be helped to access the relevant knowledge, technologies and green markets. Similar examples exist for sustainable ecosystems management in sectors such as fisheries and forestry, with real potential for growth, employment and poverty reduction. In addition. opportunities also exist in the urban environment. Urban and peri-urban agriculture is important for delivering food in critical areas, supporting small-scale farmers through improved access to formal and informal markets and reducing farm-to-table distances.

- Improved off-grid. green energy sources. These sources have good potential to provide poor people access to energy, with correspondingly large multiplier effects in employment creation, small enterprise generation, poverty reduction, the achievement of health and education outcomes and improvements in the well-being of women.48 In well-designed systems, the increase in emissions can be small and reduced to zero (in aggregate through proportionately а greater reduction in emissions from other parts of the economy. Enabling the access of the poor to credit and skills can help these to deliver their full benefits
- Creating green jobs for poor men, women and youth - that align poverty reduction and employment creation in developing countries with a broader set of investments in ecosystems conservation and rehabilitation to preserve biodiversity, restore degraded land, combat erosion, and remove invasive species, as well as recycling and waste management in urban areas (UNDP 2009). There is also tremendous potential to generate jobs for the poor through developing climate resilient infrastructure and adaptation investments, especially in the urban building and transport sectors, to sustain growth. In most cases, the assets created or refurbished through these jobs continue to deliver benefits that can be harnessed by the poor for continued improvements in their wellbeing. Examples can be found in many public employment initiatives, such as South Africa's Working for Water, India's National Rural Employment Guarantee Scheme and the creation of green microenterprises in ecotourism in Kenya.
- Fiscal mechanisms for pro-poor environmental change. Environmental fiscal reforms offer the potential of internalizing the costs of ecosystems degradation and resource-intensive use through the use of green taxes and user fees, as well as removing environmentally harmful subsidies (e.g., in agriculture and energy). Environmental fiscal reforms have been applied in a number of developing countries and have achieved triple wins in terms of revenue generation, environmental improvement and poverty reduction (OECD 2005). Public resources generated have been used to invest in the provision of quality services to the poor. These can also be used for social protection expenditure to cushion the loss of jobs and to provide training in new green job areas along with investment in renewable energy, energy infrastructure, energy efficiency and related energy services.
- Enabling business to innovate, adopt and disseminate green methods of production. The private sector is the driving force in most national economies and plays an important role in influencing sustainable production and consumption patterns. With the capacity to invest and innovate, the sector is uniquely positioned to create solutions that reduce emissions and resource use, while at the same time generating growth and employment opportunities for the poor. An example from Ghana is Toyola Energy Limited, which produces cooking stoves and lanterns that target rural dwellers who largely depend on firewood and charcoal for their domestic cooking and on kerosene for lighting. Toyola provides cleaner, healthier and cost-effective means to meet the energy needs of the poor, and has expanded products, generated new jobs and offset carbon emissions (UNDP 2011a).

<sup>48</sup> See UNDP (2010). Multifunctional platforms in Burkina Faso, Ghana, Mali and Senegal have created income-generating opportunities for women, while reducing the time they spend on collecting firewood and water.

- Building the resilience of the poor. Climate change scenarios present new challenges to the poor and foodinsecure by altering ecosystems and their services (despite where access is provided or ecosystems maintained). It brings the risk of disrupting growth and livelihoods, reducing food production and access to food, changing disease patterns, increasing vulnerability due to climatic shocks and the occurrence of environmental refugees. necessitates protecting poor from shocks as well as building their assets to increase resilience. Ethiopia's Productive Safety Programme, for example, provides transfers to chronically food-insecure people while helping create assets at the community and household level through public works (soil and water conservation, feeder roads, water supply, small-scale irrigation, etc).
- Catalysing climate finance and mainstreaming pro-poor green economy in national development plans. There is tremendous potential to raise climate finance through the Reducing Emissions from Deforestation and forest Degradation (REDD) initiative, carbon markets, climate adaptation finance and supplemental government resources to pursue pro-poor, green economy goals through national development plans. Increased public financing will be vital to address upfront investment costs associated with the transition to a green economy. It will also be vital to ensure that such financial mechanisms include social and environmental safeguards that protect and promote the interests of the poor, so as to fully realize this potential. Safeguards for biodiversity and indigenous and local communities are being developed under the Convention on Biological Diversity.

Decentralized approaches. There are a number of successful decentralized ecosystem management initiatives around the world that have worked to generate incomes and lift people out of poverty. The UNDP GEF Small Grants Programme has supported many such efforts, but these cases often remain islands of success. Where they have been taken to scale, such as community-based forest management in Nepal, evidence suggests that the more affluent take control and that, at a national level, political groups and parts of the government are keen to extract a share of the profits. The challenge lies in establishing effective governance mechanisms for the poor to play a role in making the links between national and subnational planning, and in decentralizing budgets to allow local authorities to be effective contributors to the achievement of sustainable development.

# 6.3 The role of international agencies in making green economies work for the poor

It is important to recognize that a transition to a green economy can exacerbate poverty and inequality (jobs could be lost, for example) if not managed properly. Therefore, a pro-poor and inclusive approach needs to prioritize and sequence measures that guard against this by protecting the poor during the transition through social protection programmes. Moreover, the transition to a green economy with pro-poor impacts as priority will require a two-pronged approach: climate/environment-proofing growth and poverty reduction, while poverty-proofing climate/environmental protection responses.

Table 6 summarizes some key strategic and policy issues associated with national transitions to green economies, and outlines the possible roles of international agencies such as those of the United Nations and the Bretton Woods Institutions. It highlights a place for work that ranges from the global normative to country level support with implementation, from research to activation, from

improved coordination to dealing with cross-cutting aspects such as gender and youth. A range of highly relevant agency mandates and institutional capacities at all levels is available to strengthen support to governments and others in all regions. This also requires improved integration in approach and planning of goals across the economic, social and environmental dimensions of sustainable development.

**Table 6.** Key strategic and policy issues and the role of United Nations and Bretton Woods Institutions

Strategic issues	Policy issues	Role of United Nations and BWIs
Shaping the shift to a global pro-poor, green economy approach	Global policy coherence on green economy, climate and MDGs agenda	Help ensure synergies between the green economy, MDGs and climate change agendas in different global settings.
Measuring progress towards a pro-poor green economy with appropriate indicators	Define pro-poor green economy targets and indicators to guide and motivate policy decisions and achieve results	Support efforts at defining green economy indicators and ensure that they are sensitive to measuring pro-poor and equitable outcomes.
Supporting countries to shift to a green economy	Overall key policies for pro-poor green economy drawn by linking up pro-poor growth debates and green growth debates. For example:	Provide capacity and policy support to developing countries on nationally led pro-poor green economy actions:
	<ul> <li>Green redistributive policies – to pro-poor sectors (health, education, water supply)</li> </ul>	<ul> <li>Institutional arrangements and reform, including coordination structures and alignment for national</li> </ul>

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