

***Poverty and Environment Partnership (PEP) 11th meeting  
Environmental Improvements for Poverty Reduction and sustainable  
growth: The Challenges of implementation  
Eigtveds Pakhus, Copenhagen 18<sup>th</sup> – 20<sup>th</sup> June 2007***



*Participants at the 11<sup>th</sup> PEP Meeting gathered outside Eigtveds Pakhus*

### **Summary of meeting, agreed actions and next steps**

**The 11<sup>th</sup> meeting** of the Poverty Environment Partnership (PEP) was hosted by the Danish Ministry of Foreign Affairs on 18-20<sup>th</sup> June 2007 in Copenhagen, Denmark. There were **80 participants** from eight multilaterals (Asian Development Bank, EC, IFAD, UNCCD, OECD, UNDP, UNEP and the World Bank), ten bilaterals (Austria, Denmark, DFID, DGIS, Finland, Ireland, BMZ/GTZ, JBIC, SDC, Sweden) and over ten NGOs/research institutes (BCAS, Birdlife, CARE, CIFOR, IIED, IUCN, LEAD, RIDES, TNC, WRI, WWF).

The **objectives** of the PEP meeting were to share progress with implementation of climate change adaptation, donor coordination, payment for environment services and capacity building. The agenda, presentations and participants list are on the ADB hosted PEP website [www.povertyenvironment.net/pep](http://www.povertyenvironment.net/pep) The **next PEP meetings** will be hosted by Inter-American Development Bank (IADB) in mid November 2007 in Washington DC and then by Asian Development Bank (ADB) in 2008. Proposed themes for next meetings were: private sector involvement, infrastructure, capacity building, deforestation and climate change

### **Climate change:**

- OECD finalizing review of donor progress with climate proofing [Remy.PARIS@oecd.org](mailto:Remy.PARIS@oecd.org)
- Progress report on EU Action Plan on climate change and development presented, high awareness, but need for more concrete adaptation in fields like disaster risk reduction [Simon.LeGrand@ec.europa.eu](mailto:Simon.LeGrand@ec.europa.eu)
- Avoided deforestation, climate change and development. PEP working group formed to organize a side event at the Bali COP 13 in December 2007, [Charles.Mcneill@undp.org](mailto:Charles.Mcneill@undp.org), [Joshua.Bishop@2uicn.org](mailto:Joshua.Bishop@2uicn.org), [dmccauley@adb.org](mailto:dmccauley@adb.org)
- [Charles.Mcneill@undp.org](mailto:Charles.Mcneill@undp.org) and Henning Nøhr ([hennoh@um.dk](mailto:hennoh@um.dk)) to coordinate working group on PEP activities with regard to climate change/poverty/environment links

## Donor coordination

- World Bank review of latest African PRSPs now needs to be complemented by more in country analysis building on previous PEP research: [skishore1@worldbank.org](mailto:skishore1@worldbank.org)
- Country environment analysis (CEA): Ghana's CEA provides a good example of multi-donor collaboration, but there still remains a need to further coordinate analysis and data collection. A review of World Bank's CEAs is currently underway. [Kahmed4@worldbank.org](mailto:Kahmed4@worldbank.org)
- Donor harmonization, Paris declaration and environment: Draft paper prepared for Dublin conference in April 2007 needs further inputs [Remy.PARIS@oecd.org](mailto:Remy.PARIS@oecd.org)
- Budget Support, Aid Instruments and the Environment: the Country Context (Ghana, Mali, Mozambique, Tanzania) underway (joint DFID, CIDA, UNEP Study) [A-Mackay@DFID.gov.uk](mailto:A-Mackay@DFID.gov.uk)
- Review of how the cross cutting issues (environment, gender, HIV/AIDS and governance/human rights) are addressed in Joint Assistance Strategies to be funded by Irish Aid [tara.shine@dfa.ie](mailto:tara.shine@dfa.ie)
- Development of guidance for environmental due diligence of budget support agreements, funded by Irish Aid and DFID. Draft to be circulated for comments [tara.shine@dfa.ie](mailto:tara.shine@dfa.ie)

## Payment for environment services (PES)

- PES impacts buyers, sellers and others indirectly. PES can generate pro-poor benefits, but it is a new policy tool and need more pilot projects. See PEP website [www.povertyenvironment.net/pep](http://www.povertyenvironment.net/pep) for extensive range of case studies.
- PES could offer an opportunity to involve private sector and investors in PEP activities. WWF-MPO, SDC, Katoomba Group/Forest Trends and IUCN to proceed with this issue: [David.Huberman@iucn.org](mailto:David.Huberman@iucn.org)

## Environment health

- A new World Bank study will explain how malnutrition- environmental health linkages critically impact child health. The study will use upcoming WHO Burden of Disease data to estimate the economic costs relating to environmental health impacts; and illustrate through case studies how appropriate interventions are being delivered in developing countries. [Aacharya@worldbank.org](mailto:Aacharya@worldbank.org)
- Joint agency PEP paper on *Poverty, Health and Environment* to be revised to expand scope beyond PRSPs to the broader development process, but with a more focused and clear definition of environment health priorities. Agencies expressing interest to endorse paper include ADB, Austrian Development Agency, DANIDA, DFID, Irish Aid, SDC, SIDA, UNDP, UNEP, WHO, and the World Bank. Comments to be sent by Sept 15 and then report revised by Nov 15<sup>th</sup> [Kahmed4@worldbank.org](mailto:Kahmed4@worldbank.org)

## Capacity building

- Need to assess capacity issues in different interventions with Birdlife offering to take the lead [John.fanshawe@birdlife.org](mailto:John.fanshawe@birdlife.org)
- OECD drafting guidance on capacity development led by Sweden (eg on assessing performance, budgetary resources and financing) IIED to act as link with PEP on this [steve.bass@iied.org](mailto:steve.bass@iied.org) [Remy.PARIS@oecd.org](mailto:Remy.PARIS@oecd.org)

### **Other business and next meeting**

- UNEP/UNDP Poverty-Environment Initiative Scale-Up Proposal finalized in April 2007. Website [www.unpei.org](http://www.unpei.org) operating, implementation underway in Asia, planned for Latin America.
- ADB's Poverty and Environment Programme has started second phase with greater focus on operational "mainstreaming" [dmccauley@adb.org](mailto:dmccauley@adb.org)
- PEP website still top Google site on subject with over 800 documents. PEP members encouraged to link their websites and send material to ADB: [cesguerra@adb.org](mailto:cesguerra@adb.org)
- Inter-American Development Bank (IADB) to host next PEP in mid November 2007 in Washington DC [RICARDOQ@iadb.org](mailto:RICARDOQ@iadb.org)

***Poverty and Environment Partnership (PEP) 11th meeting  
Environmental Improvements for Poverty Reduction and sustainable  
growth: The Challenges of implementation***

***Eigtveds Pakhus***

***Copenhagen 18<sup>th</sup> – 20<sup>th</sup> June 2007***

**Monday 18<sup>th</sup> June 2007 – Opening of Meeting**

11<sup>th</sup> PEP meeting was opened by Mr. Geert Aagaard Andersen, Ambassador for Environment and Sustainable Development.

Mr. Aagaard Andersen welcomed the participants to Copenhagen and noted that during the years PEP has grown into an important network for dialogue and open discussions. The agenda of this meeting reflects the issues brought up by the network and from previous meetings. Mr. Aagaard Andersen further emphasized the need to find common ways towards a better understanding of the links between environment and poverty. In this respect there are now three important tasks for PEP: knowledge sharing, analytical work and advocacy, also with our partners and in our own organizations.

Geert Aagaard Andersen introduced the issues to be discussed at this meeting:

- Climate change and implications for development.
- Financing poverty reduction, links between environment and economic growth
- Capacity building and institutional development.
- The economic value of environment, incl. Payment for Ecosystem Services and links between health, environment and growth.

**Main session I: Climate Change, poverty reduction and economic growth**

Introduction by facilitator Frode Neergaard (Danida): climate change has moved to forefront of the political agenda. In Denmark there is a special interest due to the climate summit COP 15 in Copenhagen in 2009. The three issues to be addressed are:

1. Stocktaking of integration of climate change in development from perspectives of OECD and EU
2. Sharing information among organizations on climate and development
3. Taking the agenda forward, implications of lessons learned and how to continue from here?

**Remy Paris, OECD/DAC: Review of Climate Adaptations in Development Assistance:**

Remy Paris presented a draft stocktaking of progress from OECD Countries on integrating adaptation to climate change into development co-operation with a focus on 4 aspects, which the agencies engage in:

1. Political endorsement on climate change adaptation integrated into development planning.
2. Awareness on climate change.
3. Assessment of the implication of climate changes.
4. Pro-active analyses of implications of climate change on development cooperation activities.

Some development agencies have started developing tools for climate change adaptation and funds have been set aside by some donors like UNEP/UNDP and UNFCCC.

The EU Ministerial Council decided in late 2004 to start integrating climate change adaptation into development assistance. A mid-term review of this is presented here:

**Simon Le-Grand (EC): EU Action Plan on climate change and development – preliminary results of 1<sup>st</sup> biannual progress report:**

The background for the Action Plan is the fact that climate change will affect poverty reduction. The presentation was a draft version of a review of what EU countries have done in this field until now.

Preliminary findings of this study are:

- Areas of progress: Climate change is a regular topic for dialogue between EU and partners; awareness has increased in EU agencies and there is a number of EU funded activities in this field and including development of tools.
- The primary challenges are: There is high awareness, but lack of guidelines and human resources to implement guidelines; higher awareness is needed at country level; mainstreaming challenges and options; and increased need to share experiences and tools and harmonize activities.

The Action Plan is a good initiative, but need for more concrete adaptation in fields like disaster risk reduction and halting of deforestation and for national and regional climate change partnerships.

**The discussion reflected:**

Challenge of mainstreaming climate change adaptation into development plans

- Sector plans and climate change adaptation – how to move from project to sector level approach must be looked more into in the future, maybe using SEA as a tool here.
- Funding and the need for increased dialogue to ensure funding for the projects.

**Charles Ehrhart, Care: Land use, forestry and climate change:**

Trees are important to climate change as 24% of carbon emissions originate from forestry. Only two countries are on track with regard to reforestation promises. AFOLU (Agriculture, Forestry and Land Use) projects are important as they reduce emissions caused by environmental degradation and help remove GHG's from the atmosphere. 5 messages on forestry and climate change:

1. The attitude to carbon reduction and bio-sequestration should not be either/or, but both/and
2. Carbon markets are projected for more than 50 billion USD in 2010, these funds should be used for poverty reduction projects.
3. AFOLU projects provide a good potential for mitigating climate changes, while reducing risks of disasters, increasing income possibilities and reducing time spent on collect bio-material.
4. Climate change projects must contain solutions for both poverty reduction and environmental degradation. CDM projects need to include forestry.

The problems are too large to be dealt with only using ODA. Care will seek to build funding gaps to ensure long-term projects. Care is investigating the situation in Dry-lands such as Niger and Mali and AFOLU projects are not working everywhere, growth can be too slow and the transaction costs too high.

**David McCauley (ADB), Climate Change Adaptation in Asia and Pacific:**

David McCauley presented an overview of climate change vulnerabilities in the region and current adaptation and planning efforts including the 13 LDC's that are now eligible for support to National Adaptation Plans of Action (NAPA). Integration of climate change adaptation with disaster risk reduction is slow and even less regarding economic planning. Issues are:

- Need for interventions at many levels from better information and analysis at country level to on the ground adaptation investments and global and regional cooperation.
- Regional experience relate to small islands with a focus on extreme events and future and present risks.
- Taking advantage of traditional knowledge and culture in projects and efforts to scale this up into national programs.
- Poverty/environment linkages; most affected are the poorest people in poorest countries, rural population in marginal areas is most vulnerable.
- ADB seek to build climate change into all activities and to assist with planning and priority at different levels.

**The discussion point from Charles Ehrharts and David McCauleys presentations:**

- NAPA's are not very operational and too broad based and tend to focus too much on hard engineering interventions.
- Ownership of natural resources versus needed interventions. Can a "Debt for nature" swap be an option? The presenters were uncertain about the sustainability of this option and its effectiveness in avoiding deforestation.
- Expectations to carbon markets must be linked to policies and forestry projects.

**Frode Neergaard, Danida, summarized the presentations and discussion on climate:**

- We need to integrate climate change more into economic planning and move from project level to sector and country level.
- On mainstreaming there is a need for increased awareness in all ministries and state agencies.
- Important to include forestry in activities related to climate change.
- Synergies between adaptation and mitigation are important to establish
- The link to disaster preparedness is very important, also in terms of poverty reduction.

The discussion continued in 4 break-out groups.

**Report from break-out groups:**

**Group 1:**

- Multiple benefits of carbon projects and how to monitor changes and impacts
- Policies to be adopted and governance issues at national level
- Rights of peoples' in this context, for who are the benefits and what are the implications for different social groups? What are the opportunities of carbon markets for different social groups?
- Many unsolved questions, we need to set up projects and learn from experiences.

**Group 2:**

- Policy-level integration, both in recipient countries and partner agencies
- Reinforcing existing development, poverty and environment efforts
- What is PEP's comparative advantage and best role?

Key results were:

- Build on existing PEP strengths – attention to poverty/environment interface and dialogue
- Use attention given to adaptations and associated financing to promote the poverty/environment agenda
- Accept that adaptation is an extension of good development practice

- Identify where indigenous knowledge can make adaptation more sustainable
- Show how adaptation exacerbates environmentally based poverty?

**Group 3:**

- Climate, donor actions and the role of PEP?

Their key results were:

- Minimum multiple standards for voluntary carbon off-sets (AFOLU, biofuels etc)
- National capacity building for forecasting etc is necessary
- Coherence in the tools and methods for climate proofing.
- NAPA's and the need for: a more holistic attitude with links to eg. ecosystem services; more use of dialogue with other action plans and more strategic approach of NAPA's.
- Donors are to provide good examples of carbon off-sets and linkages and experiences.
- The complexity of avoided deforestation.

**Group 4:**

- Adaptation
- Mitigation
- The way we work

Their key results were:

- Need to flag questions, provide ideas and reference to good practice on:
- How to operationalise avoided deforestation in or outside the climate regime and learn from agro forestry projects, focus on poverty issues and up scaling from project to sector wide approaches.
- An idea for PEP would be to collect information on financing adaptation

**The issues were discussed in the plenary session and proposals were to:**

- Have activities on multiple benefits of avoided deforestation, including links to payment for ecosystem services
- Study the comparative advantage of PEP and benefits from sharing information, looking into learning procedures and existing knowledge

Henning Nøhr, Danida, concluded the discussion stating that the reason for proposing this theme was to get a mandate for future PEP activities in this field and proposed to keep the theme open for the rest of the meeting in order to collect ideas. It is important for PEP to be able to answer the question about the comparative advantages of PEP on climate change.

**Main session II: Investing in and Financing Environment for  
Poverty Reduction and Sustainable Growth**

**Sub-session 2a: Donor coordination and donor financing– lessons learned and new instruments**

Chair and facilitator: Olof Drakenberg, SIDA, introduced the discussion on:

How well is environment integrated into poverty reduction strategies and what can be done better? What is the state of environment, the natural resources and how will PRSPs affect this? What is the capacity of partner countries to work with integration of environment into development policies? This discussion is a follow-up discussion from the 10<sup>th</sup> PEP-meeting in Nairobi on knowledge and information sharing.

**Sunanda Kishore, World Bank, Integration of environment into PRSPs by mainstreaming environment:**

This is a study building upon 5 previous reviews to see how integration of environment is captured in PRS processes:

- There is a positive trend demonstrated across PRSP's, APR's and PRSC on relationships between environment and poverty.
- What then makes PRSP-PRSC correlation negative? One issue is that PRSC's have a natural maturation process
- Conclusions of the study are that mainstreaming of environment into PRSP's is improving, but well mainstreamed PRSP does not guarantee a well mainstreamed follow-up. APR's reflect a stronger mainstreaming effort. Recent bank analysis showed that lending in PRS-countries has improved. It is a precondition with public sector reform and human development investments. Countries should be considered for case studies to explore this issue.

Answering questions on mainstreaming Kishore agreed that it can be more effective under sector budget support. The World Bank would like to support these initiatives, but haven't been able to do it. We have done similar exercise on environmental health, and we do compare with what we find here.

Regarding the level of mainstreaming several participants agreed that the level was high, but also that mainstreaming on paper was not the hardest issues, it was harder to secure funding for environment projects. Some participants also mentioned that progress should be measures not only against the PRSP's, but also against cost allocations in national budgets.

Olof Drakenberg mentioned a coming PEP paper on this issue, to which also Sunanda Kishore would like to get contributions from PEP members.

**Kulum Ahmed, World Bank, David McCauley, ADB & Simon Le-Grand, EU presented a rough overview of donor funded country environmental analysis (CEA)**

**Kulum Ahmed:** 3 issues regarding CEA's and PRSP's: prioritisation, natural resource issue and institutional assessment. The number of CEAs has grown from 2-3 a year to 12. The impact of CEA's is to help initiate new projects and facilitate a policy dialogue, but remember the need for follow-up and dialogue to ensure implementation of activities. Donor coordination is also an important task here.

**Simon Le-Grand,** Country Environmental Profile Assessment: The study was a desk study of documents and environmental profiles of 6 developing countries: Botswana, Ivory Coast, Mali, Niger, Philippines, and Sierra Leone – all but Sierra Leone scored well on most criteria. EU will do more country analyses and extend the review. Next steps will be to get a more complete picture of the CEA's. Many EU countries will use this information in their programming from now. It has been commitment to have one assessment for each country, but this has not been achieved yet.

**David McCauley:** ADB follows similar patterns. Since the environment policy passed in 2002 a country analysis must be conducted with a 3-5 years cooperation package and consultation with partner governments. Inclusion of environment is central to ADB and in the spirit of the Paris declaration this will be done in more coordinated. ADB will also conduct assessment on how to integrate environment into key sectors, like climate change and impacts on the transport sector. It is also a requirement that disaster preparedness and climate change adaptation is part of the projects.

**The discussion of the three brief presentations touched upon:**

- Harmonisation and the extent to which it is realistic, like common background reports. Presenters agreed that donors will still need their own country assessments as they serve different purposes. CEA's differ a lot depending on which purpose they are developed for.

- Knowledge sharing. It is important to take full use of the PEP website and post all material, reports etc there. Others underlined the need to explore ways to take full advantage of the material, the process of making documents useful for everybody and not merely compiling them.

**Tara Shine, Irish Aid, OECD/DAC Dublin workshop on Development Effectiveness in Practise:**

Irish Aid hosted a workshop on Development Effectiveness in Practice with 120 participants from DAC members, partner countries, civil society and UN agencies. The objective of the workshop was to examine the potential for the Paris Declaration's key principles to be used as tools to advance the cross cutting issues. A process was decided on how to feed into the meeting on assessing progress of implementing the Paris Declaration in Accra, Ghana, September 2008 and PEP members were invited to contribute. PEP members could contribute to learning about and documenting case studies illustrating how environmental sustainability is being advanced through the principles of the Paris Declaration for their work. These case studies could then be used to elaborate the background paper prepared for the Dublin workshop (relevant documents on PEP website, comments are invited). In addition NGO PEP members could engage with the Civil Society Advisory Group working with the OECD/DAC Working Party on Aid Effectiveness to ensure that environmental sustainability is addressed at the Accra meeting.

**Tara Shine, Irish Aid, Environmental Due diligence on Budget support:**

DFID and Irish Aid have commissioned a piece of work to develop environmental due diligence guidelines to assist non specialist staff assessing budget support operation (general and sectoral). A first draft of the guidance has been drafted by two consultants and will be circulated in a week or two to those PEP-members interested in providing comments and suggestions. Irish Aid and DFID invited PEP members to assist them in testing the guidance in the field once it is finalised. Any members interested in participating should contact Tara Shine

All of the papers presented by Tara Shine/Irish aid are available on the PEP homepage.

**Olof Drakenberg summarised the discussion:**

- Documents are important, but so is development of ways forward.
- We can improve on sharing of documents.
- We will not achieve one common report in the future, but we can work towards less duplication and taking more advantage of each others material.
- PEP activities on harmonization and aid effectiveness. An upcoming event is the meeting in Accra in 2008 (Paris follow-up). PEP members will work towards inclusion of environment here.
- The Irish Aid paper on Development Effectiveness in Practice is important in this context and to be found on the PEP website.
- A group on climate change will present ideas for follow up later in this meeting.

**Copenhagen June 19<sup>th</sup> 2007 - Subsession 2b: Creating new markets and payment for ecosystem services: linking poverty and environmental objectives**

**Chair: Jan Boj , World Bank**

**Facilitator: Joshua Bishop, IUCN**

**Lucy Emerton, IUCN, Setting the scene for PES:**

The conceptual paradigm that should underlie PES is investing in ecosystems as part of the development infrastructure – considering natural ecosystems as essential and profitable components of development.

Three examples:

- Waza Logone floodplain, Cameroon – Ecosystem restoration project generating significant environmental, economic, and development gains.
- Nam Et-Phou Loei area in Lao – High correlation between poverty indicators and livelihood dependence on protected areas.
- Nakivubo Swamp in Uganda – In Kampala, the preservation of a wetland area in the heart of the city has played a critical role in urban infrastructure (water purification)

**Sven Wunder (CIFOR) – What is PES, what does it have to do with poverty reduction?**

Key features of PES: voluntary, well-defined services or land-use (forest conservation), at least one buyer, at least one seller, transaction is conditional.

- PES and poverty – Overall, poverty assessment of PES is preliminary. The schemes are still young, and opportunity costs are hard to assess. PES should not be seen as a total compensation for farmers rent – just a share of it, opening new options for them
- PES and equity – the final distribution of benefits will always depend on the relative power of negotiation. Often, the buyers are the ones sitting on the long end of the table. Services that are not strategic will likely never be sold.

Overall – if you are only into poverty reduction or conservation, PES might not be the best tool. But, if you are concerned with both, PES is very useful.

**PES and the poor in praxis – some examples:**

**Marina Kosmus (GtZ) – Synergies between conservation and development through incentive agreements in Northwestern Ecuador**

The main goal of the Conservation International and GtZ PES scheme is the conservation of biodiversity through the extension of a protected area. Improvements to the living standards are another important goal.

Participatory biological monitoring is a key activity of the project, and is actually already showing positive environmental gains from the scheme.

A significant challenge will be to keep transaction costs low, build capacity, assure sustainability, and involve private sector in a better way.

**Stefano Pagiola, The World Bank, Can the poor participate in PES? Empirical evidence from Latin America:**

Basic logic of PES – mechanisms where it is the users of the services that are making the payments to the providers (not donors, not governments). The payments are for land use and participation is voluntary. Key questions:

Are the poor potentially eligible to participate? If so, are they able to do so?

Two case studies from Central America show that PES cannot be considered specifically as poverty reduction tool. For these schemes to succeed there is a need to keep transaction costs low, provide assistance when required, ensure that the social context is well understood, avoid implementing PES in areas of insecure land tenure, and provide targeted assistance to overcome problems that impede the participation of the poor.

**Esteve Corbera, Tyndall Centre for Climate Change Research, The social impacts of carbon forestry offsets in Mexico:**

Objectives – highlight impacts of a successful offset program that has been going on for 10 years. Examine trade-offs and illustrate factors that influence distribution and participation by comparing two communities participating in national PES scheme.

Overall, the development of the carbon offset projects was not easy, and took different forms in the two communities observed (individual payments vs. payments to community organizations and projects). In some cases, biodiversity conservation was compromised because local seed banks were not used, and mostly pine trees were planted.

**Julio Tresierra, WWF, Equitable payments for watershed services:**

Objectives – improve ecosystems selected for participation and improve quality of life of the communities.  
Case study from Tanzania –

Payments used to address water turbidity problem. Buyers are the national water distribution company (private-public partnership) and Coca-Cola. The savings made by the buyers are going to be transferred to the sellers to cover most of the opportunity costs at the beginning of the scheme. The idea is to move to a second phase, with co-financing coming from local private users. Also, a technical support group is being appointed to act as a monitor and evaluator of the scheme.

**Afternoon session:**

**Chair: Piet Klop (DGIS)**

**Facilitator: Jan Peter Schemmel (GTZ)**

**Panel discussion:**

Right away, two distinct positions became apparent on the theoretical scope of PES:

- We should use a loose and inclusive definition of PES – use it to reach out and raise awareness
- We should use a narrow and precise definition of PES – make sure it stays coherent (not confused with other forms of incentives) and lasts over time.

Other main points raised were:

- Biodiversity is hard to conceive of as an ecosystem service – the benefits are not as tangible as in other cases (i.e. water and carbon).
- Property rights and enabling conditions a significant stumbling block for PES.
- In some cases, there might be a need for new legislations, as is currently going on with water rights in Tanzania.
- PES schemes are sometimes based on incomplete (often the case with water)

Finally, the panelists debated the geographical distribution of existing PES schemes, noticing a prominence of cases in Latin America.

**Pablo Gutman, WWF, Pro-poor investment in biodiversity conservation, some issues, two successful WWF cases, and some opportunities ahead:**

Making people better off will not necessarily reduce their impact on the environment, and vice-versa. Most of the environmental work is intensive in natural resources but not in labor. Need to create opportunities for income and jobs.

Two case studies were presented:

Namibia – payments based on the tourism value of wildlife. Difficult to replicate model elsewhere.

South Africa – payments for wetland restoration. Activities generate a lot of employment, but depend on public money, and are just part of a short-term initiative.

Long term support from donors is essential, and is still very much needed.

Integrating the schemes into productive landscapes is key, and both PES and green marketing could offer attractive opportunities.

**The discussion continued in 3 break-out groups.**

**Report from break-out groups:**

**1. Aid agenda and PES – basic recommendations:**

- Need for increased awareness raising within development agencies on ecosystem service–strengthening partnerships between agencies and institutions
- Importance of scaling up and linking to the policy making process – focusing on capacity building at the national level
- Create a new PEP working group focusing on identifying opportunities for action
- Filling the knowledge gaps, and providing targeted on-site assistance

**2. Building capacities for PES – basic recommendations:**

- Improve understanding of ecosystem functioning and how it affects ES delivery
- Proceed through a participatory learning process
- Create a stronger negotiation position at the community level (level playing field)
- Focus on building monitoring and enforcement capacity

**3. PEP, PES and the private sector – basic recommendations:**

- Expand demand beyond the carbon sector
- Acknowledge heterogeneity of private interests
- PEP could help reduce transaction costs of PES – create a PES working group

**Three main activities that PEP should undertake relative to PES:**

- PEP produces a paper on AD, biodiversity conservation, and poverty reduction for the UNFCCC and CBD negotiations
- Work on bringing investors and member of the private sector into PEP meetings
- Write a paper on the different interests of the private sector in PES

**Final discussion on the pro's and con's of PES – main points raised:**

- PES still a new policy tool, not quite ready for implementation – need to develop more pilot projects. Still, it should not be seen as a panacea.
- Learn from and feed into ongoing activities
- PES could offer an opportunity for PEP to involve private sector partners – emerging green enterprises could be a first target

The day ended with the establishment of two working groups:

1. Work on organizing a side event on poverty and avoided deforestation for Bali
2. Thinking about organizing a private sector focus on PES within PEP

IUCN, WWF-MPO, SDC (Swiss) and Katoomba Group/Forest Trends will take part in follow up activities on PES

<p><b>Wednesday the 20<sup>th</sup> June Main Session III- Capacity and Institutional Development on Environment for Poverty Reduction - What are the incentives?</b></p>
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**Chair: Anne Marie Sloth Carlsen (Ministry of Foreign Affairs, Denmark)**

**Facilitator: Tim Bigg, IIED**

**Key Note Presentation: Kulsum Ahmed, The World Bank, Poverty, Health and Environment:**

A paper prepared jointly by a number of agencies incl. DFID, Danida, WHO, ADB, presenting a model for incorporating environmental health in PRSP's and giving an overview for understanding the links between environmental health and poverty. Important issues are:

- Environmental health is important for poverty reduction as the burden of disease falls disproportionately on the poor, who have the worst living conditions; pay more for environmental services like water and who are most affected by diseases.
- Environmental health issues affect the poor in Africa and South Asia most, but lack of knowledge. A UNDP report demonstrates insufficient monitoring on MDG7, where only 8 out of 158 countries report on all global environmental indicators. Water and sanitation are the issues most reported.
- Role of PEP could be concept development, awareness and incorporation of health into existing tools. SIDA, UNEP and Irish Aid also signed up to the paper now. The aim is to finalise it at next meeting.

**Mikko K. Paunio and Anjali Acharya, The World Bank, Malnutrition and Environmental Health:**

Presentation of recently initiated World Bank study with the objective to provide understanding of links between environmental health and malnutrition. The focus is on children under 5, who are most vulnerable, but impacts on them are also reversible. Main issues are:

- Myth that malnutrition is a food issue; it is an environmental health issue. Report show that 50% of malnutrition is caused by unsafe sanitation and repeated infections
- The costs for the countries are very high and curing diseases is more expensive and take longer time, when children are malnourished.
- Important to present the conceptual framework and the realities for understand malnutrition and environmental health.
- Need for more cases to present this issue. Questions for PEP are now: Is there other ongoing work on environmental health-malnutrition linkages? Are there other suggestions for case studies of successful environmental health interventions in developing countries?

**Steve Bass, IIED, Mobilizing Capacity for Sustainable Development:**

Capacity is very important as growth is based on capacity. 40% of good national performance in managing natural wealth is attributed to human capital, but it is often neglected. Capacity is difficult to understand partly because it is hard to define, it is multidimensional and without good theory or evidence.

Sustainable Development has been an issue since the Brundtland report, but much has changed in terms of capacity development since then and now there is a need to shift energies from plan and policy to capacity utilization. This is in line with the Paris declaration to support countries' environment by identifying and mobilising local resources.

**Gareth Martin, DFID, Strengthening National Capacity – Environmental Management for Poverty Reduction:**

Regarding capacity there is often a top-down approach rather than bottom-up. Donors tend to work with government, nationally and locally and in formal structures and systems, but we now realize the need to involve all actors – communities, civil society, private sector etc.

Gareth Martin presented a case form Egypt on “Support for Environmental Assessment and Management (SEAM) - Egypt National EEAA and Governorate environment agency” and their experiences on capacity development with regard to environment legislation, planning and delivery of services. It also touched upon inclusion of communities and the private sector.

**Clare Twelvetrees, UK Environment Agency International section: Strengthening national capacity – the environment agency’s work with environment authorities in developing countries:**

The agency has experience with international programmes on support to sustainable development and sharing of experiences from projects in Turkey, Kenya, South Africa and China plus a fellowship programme. Ms Twelvetrees presented two case studies from Kenya and South Africa.

Through the projects the agency has gained good results on capacity development due to: Long term partnerships, close and responsive relationships, identification of key individuals who can make things happen, mentoring rather than teaching, supporting people in finding their own solutions and focusing on organizational development.

**John Fanshawe, Birdlife, Deploying and developing non-government capacity:**

The presentation gave an overview of Birdlife activities in this field. Birdlife see the concept of capacity like UNDP on an individual, an institutional and a systemic level. Birdlife focus on capacity at local level such as support to local conservation groups and key individuals in groups. They also engage in activities regarding mechanisms for national support and pathways for growth and development.

Birdlife has identified challenges related to: the minimum viable capacity of organisations to engage in cooperation with, mapping and monitoring capacity and development of it; and how to maintain the dynamic of activities.

**Edmundo Claro, RIDES, Capacity building for poverty reduction and environmental protection in Chile: some comments on the role of the private sector:**

PEP agrees that private sector should be given more attention, but how should this be dealt with?

There is economic growth in Chile and people are getting out of poverty, but income differences are still huge. The role of private sector in poverty reduction has been crucial in terms of securing economic growth.

Claro presented two cases on poverty reduction and environmental protection:

- A mining company giving support to an indigenous community in the north of Chile in order to develop an eco-tourist circuit on an Andean wetland.
- A scheme developed by Gerdau-Aza, a steel manufacturer that builds capacity for steel waste collectors.

Private business involvement with capacity building for environment and poverty reduction is seen as part of their Corporate Social Responsibility. Donor cooperation on poverty-environment capacity building should focus on ensuring both public and private sector of the benefits to be achieved from the activities.

**The following discussion was centered on:**

- The impact of capacity building and how to measure this. Impact must be seen in a long-term perspective and with a view to changing attitudes. Aid can also be assessed in terms of what has been achieved: has income grown in the area? It is not enough to make plans, funds for implementation must also be ensured.
- The need to understand demand driven aid and the importance of capacity to receive aid. Impact of Paris declaration with regard to capacity, increased focus on support for the countries own systems.
- The importance of trust, confidence and democratic structures between partners.

**Points for discussion in break out groups:**

1. Innovations from your organisation in terms of capacity building.
2. Focus for input for OECD initiative

3. Scope for joint work in the future.

### **Report back from Break-out groups:**

#### **Group 1:**

1. Innovations: important to support civil society to create demand for capacity building; create ownership; avoid workshop culture and have more long-term approach; importance of the institutional framework. Learning groups of and for members can be innovative.
3. Use the PEP-WEB for capacity mapping to analyse where PEP member projects are overlapping. Birdlife offered to do mapping exercise.

#### **Group 2:**

1. World Resources Institute had success with changed focus and more private sector inclusion. Finland has developed new approaches to capacity in Zambia, which can be presented later. Birdlife has had success with long-terms core funding of local organisations. This has brought people together and increased ownership to the projects.
2. Support to work on impact of Paris declaration for capacity building, also Poverty Environment Initiative supported this initiative. Comments are welcome, and there will be a meeting on this in Stockholm.
3. Some group members would like to work more on Paris and capacity building and may take lead in a PEP initiative on this. IIED would act as intermediate in terms of development of a paper on PEP and capacity building.

Another break-out group discussed the issue of malnutrition and environmental health. The presenter Kulsum Ahmed will summarise the discussion and send out main points to participants.

<b>Main session IV: Other business and summing up</b>
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**Chair: Henning Nøhr, Danida**

#### **Two new themes coming from this meeting:**

**Avoiding deforestation and Climate Change** was discussed by a working group. PEP has comparative advantage here from members' capacity in sustainability and private markets combined with knowledge on poverty links. David McCauley presented a paper including a plan for a side event in Bali in November this year. The working group will continue. The group is open to everyone. A core group will start the activities and get comments from others later on. A concept note about the side event and other activities will be circulated.

#### **Climate adaptation:**

A working group is needed to follow up on a number of suggestions from break-out groups on advocacy on climate change/poverty /environment links. Also need to provide input to OECD/DAC on climate change. A group was set up, which could link to deforestation group. Henning Nøhr and Charles McNeill will collect names of those interested in participating in this meeting and follow-up activities.

#### **Announced issues for discussion at this session were:**

##### **i. John Horberry, UNEP/UNDP: Progress on Poverty Environment Initiative**

In order to scale up UNDP/UNEP activities regarding mainstreaming of environment into poverty reduction a number of management agreements have been achieved and a Poverty/Environment facility has been set up in Nairobi from the 1<sup>st</sup> of May, by pooling resources, 1<sup>st</sup> of May. First activity is to mobilize resources, but is optimistic. Then regional PEI programmes can be set up in Africa, Asia and Latin America. Will also have activities with regard to lessons learned. The role of the facility will mainly be: resource mobilization, donor liaison, management of partnerships, support to regional PEI capacity,

knowledge management and technical support delivery. Clients will be regional teams and country programmes. An important mechanism for interaction will be the new website – will be [www.unpei.org](http://www.unpei.org)

Francois Droz, Swiss Agency for Development mentioned that regarding PES a virtual group has been set up. Next session will be on PES and the role of the private sector and the meeting will be at the PEP-meeting in Washington. Francois Droz will coordinate. Potential participants: Swiss, IUCN, IADB.

**ii. Remy Paris: processes in OECD DAC / Environet:**

A Dutch-led Environet Task Team is working on a paper on natural resources and pro-poor growth. Side event on this later same day. The aim of the paper is to make the point that natural resources do generate income growth, and look at these issues in relation to specific sectors. Prepare guidance on CEA and progress in implementation. Another Task Team led by the UK and UNDP is working to track progress with regard to Strategic environmental assessment. As follow up to the 2006 Development-Environment Ministerial Meeting, ENVIRONET is collaborating with the OECD environmental policy committee on guidance on capacity development for environmental management. Tentatively, this includes guidelines and diagnostic tools to assist donors and their partners in developing countries to allocate resources in a way that provides incentives for environmental institutions to strengthen their performance; guidance to assist environment ministries to develop environment programmes that could be integrated into budgets, building, inter alia, on experience from developing and implementing finance strategies in the water sector. Guidance could be provided to support capacity development for environmentally-related investments.

**iii. David McCauley: Poverty Environment programme of the ADB:**

ADB Poverty-Environment program was presented as a structured learning exercise; it has provided grants for analyses and studies and made some progress on awareness on this. ADB also presented the Poverty Environment Website, to which a number of studies and documents have been posted, with links to sub-site from PEP. Partners section, links to all partners with their logos, open membership org. all can participate. The site is very popular, mainly in Asia.

**iv. Next Meeting:**

ADB had offered to host next meeting in Manilla, can still host a meeting, but not yet. IADB in Washington will host instead. ADB can probably host the meeting after this.

Themes for next meeting could be the role of the private sector, infrastructure, and deforestation. Participants were reminded to fill in on evaluation forms with themes. Suggestions were that it was good with an organizing group of people based in Washington. The meeting in Nairobi had focus on Africa; next meeting can have a similar input from the Americas,

**v. Other issues regarding future activities.**

Jan Boj  mentioned that The World Bank is developing a paper on poverty/environment links at household level, this could be considered theme for next meeting.

Capacity building was proposed by some as a theme for a future meeting as well as long-term sustainability of the projects initiated.

South and private sector participation at meetings is a good idea, but we must remember the financial issue.

It was discussed to have the meetings less frequent, but most agreed to continue with two meetings a year.

Next meeting could be held back-to-back with GEF meeting in November. Dates proposed are then the 19-20-21<sup>st</sup> November. This is just before the Bali-COP and the last chance to evaluate the initiative and discuss the agenda for seminar there.

Simon le-Grand: An EU updated study on integration of environment in development will be sent out to members for comments.

IUCN will organize an overseas countries conference with EU participation in April next year on Climate Change in Overseas countries.