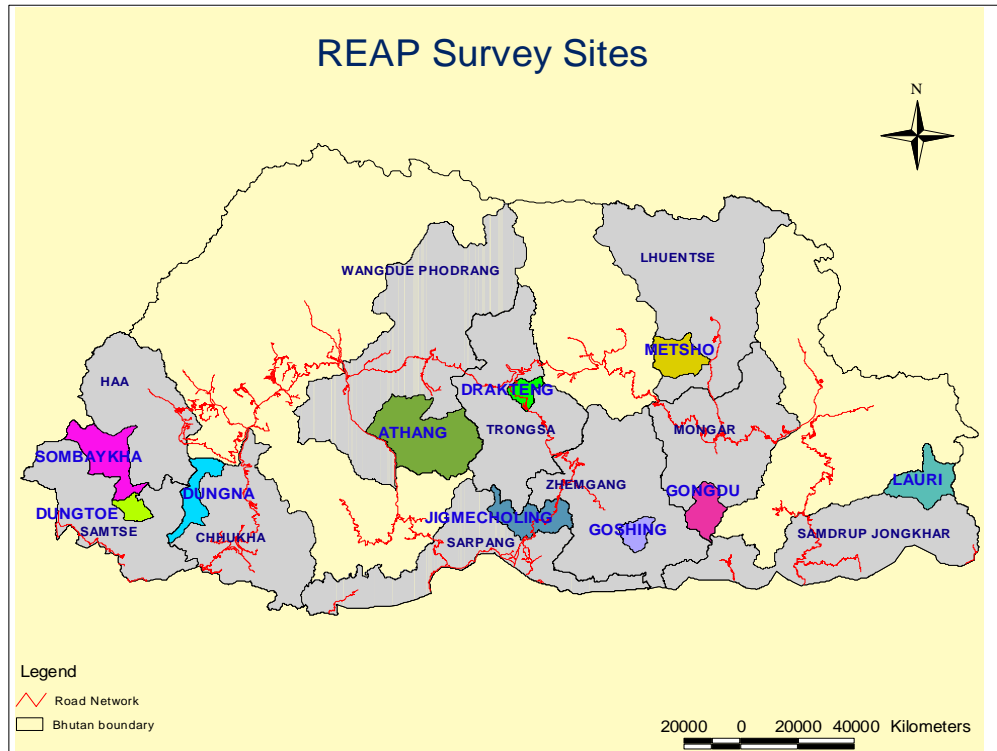




**Poverty-Environment Linkages: Initial Lessons from Bhutan**



Environment has remained a low priority for public investment and policy formulation in most developing countries. Environmental sustainability goals are often seen as conflicting with development goals because of pressing needs for economic growth and poverty reduction.

The Bhutanese government has always prioritized environmental conservation in its development policies and strategies. However, it is still a daunting task to integrate environmental sustainability as a strategy for poverty alleviation. A World Bank study showed that the natural capital accounted for 26% of the total wealth in low income countries, 13% in middle-income and only 2% in industrialized nations. In

case of Bhutan, the natural capital’s contribution to the total wealth accounted for about 64 %<sup>1</sup>.

Bhutan’s economy is heavily dependent on natural resources and its ecosystem services. For the rural poor, natural resources are their only sources of livelihood. About 69% of the country’s population are in rural areas and subsist on an integrated farming system of crop production, livestock rearing and use of a wide array of forest-based goods and services. With only 8% of the land arable, and very little potential – if any to expand further because of

<sup>1</sup> Making the economic case: A primer on the economic arguments for mainstreaming P-E linkages into national development planning.

the topographic conditions and loss of land to urbanization, a proportion of rural poor have landholdings too small to guarantee food security. This limited area has also to support other development activities of a population, which is currently growing at 1.3% annually. 23.2% of Bhutan's population lives below the poverty line of which 30.9 % are in rural areas as compared to just 1.7% in urban areas.

Poverty is linked to environmental sustainability in many ways - first, the livelihoods of the poor are highly dependent on well-functioning ecosystems and are hit hardest when access to these resources are limited. Second, the poor, particularly women and children are heavily affected by environmental health problems such as lack of safe water and sanitation, indoor air pollution and exposure to chemicals and vector-borne diseases and finally the poor are the most vulnerable to natural disasters caused by mismanagement of natural resources.

A joint UNDP/UNEP Poverty Environment Initiative (PEI) is being implemented in Bhutan to mainstream environmental management into national development planning processes. Environmental mainstreaming allows poverty alleviation to be addressed, by requiring line ministries with a poverty remit to ensure that they address environmental concerns in sector planning. The project provides financial and technical assistance, and capacity development of key stakeholders. The PEI country programs involve three phases.

1. The preparatory phase focuses on finding the entry points and making the case for poverty-environment mainstreaming.
2. Phase 1 focuses on integrating environment into national development processes by developing country-specific evidences, influencing policy processes, and developing policy interventions and programs

3. Phase 2 focuses on operationalizing the poverty-environment mainstreaming process through policy and program implementation, budgeting and financing, and poverty-environment monitoring<sup>2</sup>.

Bhutan is the first country in Asia-Pacific to implement the PEI Phase I programme. Phase I implementation commenced in July 2008 and will end in December 2009. Phase II programme has been formulated as a Joint Support Programme with the Government of Denmark for 4 years (2010 – 2013). Recognizing the critical role of planning and finance ministries for poverty-environment mainstreaming in national and sectoral policies, plans and programs, the PEI programme in Bhutan is coordinated by Gross National Happiness Commission Secretariat with other ministries, local government, CSOs, NGOs and private sector for effective mainstreaming. Some of the PEI programmes in Bhutan are briefly highlighted below:

Rural Economy Advancement Programme (REAP): The GNHC initiated a targeted poverty intervention programme under the 10<sup>th</sup> FYP to address the special hardship conditions faced by select remote rural communities left out of mainstream development. Since livelihood opportunities for rural and remote communities are closely linked with managing natural resources, the programme demonstrated the importance of establishing a strong linkage between poverty alleviation and environment. An initial participatory assessment in 10 villages indicated that holistic interventions based on integrated village development plans (VDP) was important. A VDP frame work is being developed and once complete will be used by local level officials to formulate plans for other villages identified for targeted poverty intervention.

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<sup>2</sup> The UNDP-UNEP PEI Brochure. <http://www.unpei.org>

Poverty-Environment Mainstreaming Guidelines: The guideline puts into perspective poverty and environment issues in the context of economic development. The guideline will build on and integrate into the existing environment mainstreaming guidelines prepared by NEC, GNHC with three Sectors – Ministry of Agriculture, Ministry of Economic Affairs & Ministry of Works and Human Settlement. Once realized, GNHC will include the guidelines as part of the overall guidance issued to line ministries on preparing five-year sector development plans from the 11<sup>th</sup> Plan preparation.

Local Development Planning Manual: The manual is targeted for local government authorities to carry out participatory and integrated bottom-up planning. A systematic planning process linking village development plans to gewog and dzongkhag plans will ensure greater synergies and coherence between the interventions delivered at the village level. PEI in particular will focus on integrating ways to consider poverty-environment linkages when developing local level plans and investment programmes. Activities carried out by GNHC in connection with REAP will contribute substantively towards the formulation of the Manual. LDPM will serve as a useful guide in the implementation of block grants under the DANIDA Sustainable Environment Support Programme (SESP) and Local Government Support Programme (LGSP) for 10<sup>th</sup> Plan.

Public Expenditure Review: This activity is initiated with Department of Public Accounts, Ministry of Finance. The proposed PER analysis and recommendations are intended to demonstrate how government and donor resources are currently used, and to recommend how to improve resource utilization for the benefit of sustainable development. The exercise will serve as a tool to enable GNHC to improve prioritization, efficiency and effectiveness of all public resources in support of the environment

sector. PER will provide a baseline for future trend analysis in budget allocation and execution and effectively monitor progress on the contribution of environment towards sustainable development, the achievement of MDG targets and vision 2020.

### **Lessons Learnt**

- PEI is a policy project looking at softer components supporting policy interventions on poverty-environment related issues, and therefore does not support on the ground interventions apart from few pilot demonstration projects. PEI in essence is aiming at creating enabling conditions for countries to institutionalize P-E mainstreaming through capacity development.
- The entry points for PE Mainstreaming have to be identified and established properly so that there are no problems during implementation.
- Experience from REAP have highlighted the need for a systematic and integrated planning process as a precondition for identifying sustainable interventions. The present planning process amounts to a compilation of project ideas from the village level which are consolidated at the gewog and dzongkhag levels. The result is a somewhat ad hoc set of interventions with little emphasis on sustainability or the ability to capitalize on synergies across sectors.
- Realizing the multidimensional nature of Poverty-Environment linkages, the need for participation of various stakeholders is critical in environmental management, and participation should cover those beyond environmental sector.

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