

Chapter 6

Meeting the Implementation Challenge



Coverage

- Addresses the integration of poverty-environment issues in the national monitoring system (section 6.1)
- Explains how to participate in the budgeting process and access financing options (section 6.2)
- Proposes means to support implementation of policy measures (section 6.3)
- Discusses the establishment of mainstreaming as standard practice (section 6.4)

Key Messages

- Operationalize poverty-environment mainstreaming resulting from influencing policy-making
- Design indicators based on targets included in policy documents to integrate them in the monitoring system
- Strengthen data collection and management
- Ensure that poverty-environment policy measures are funded
- Collaborate with national, sector and subnational bodies to strengthen the implementation of the policy measures
- Embed poverty-environment mainstreaming in government and administrative processes, practices, procedures and systems in support of future national development planning

6.1 Including Poverty-Environment Issues in the National Monitoring System

A national monitoring system helps track progress made against the goals of policy documents and the implementation of strategies and policy measures; it also helps in identifying where and what kinds of corrective actions may be needed. The system can cover sectors such as agriculture or health, or cross-cutting issues such as poverty.

The overall objective of integrating poverty-environment issues in the monitoring system is to increase the chances that the poverty-environment elements of policy documents and their related strategies and measures are implemented effectively by facilitating the following:

- **Regular monitoring and reporting.** If poverty-environment issues are included in the national monitoring system, it is easier to track progress towards achieving the goals, targets and implementation strategies included in policy documents (e.g. PRSP or sector strategy). Inclusion of such issues in the monitoring system also helps maintain and improve understanding of the linkages between poverty and the environment and how they can be measured (see section 4.2). The effort can also focus on integrating poverty concerns into regular reporting on the state of the environment—information that may be mandated by national law.
- **Informing the policy process.** Monitoring poverty-environment issues allows policy-makers and implementers to demonstrate the impact of policy measures put in place, share lessons learned, make adjustments in policies and guide budget and resource allocation.

Monitoring also contributes to a better articulation of policies and measures for poverty-environment issues, and identifies emerging issues to be addressed in future policy documents and related implementation measures. For example, monitoring climate adaptation interventions and capacity to inform future policy is becoming increasingly relevant in many countries.

Approach

The approach to this activity consists of monitoring poverty-environment issues within the framework of the existing national system, developing poverty-environment indicators and working closely with the national statistics office and other institutions involved in monitoring.

- **Poverty-environment monitoring as part of the national monitoring system.** Poverty-environment issues and policy impacts should be monitored as part of the national monitoring system that should be in place to review the performance of the various national, sector and subnational implementation strategies, including those related to poverty and the MDGs. Promoting linkages between policymaking and monitoring processes is critical to improving both of these aspects of national development planning.
- **Poverty-environment indicators.** Relevant and operational indicators are the main instrument for integrating poverty-environment issues into the national monitoring system. Such indicators are usually developed through extensive research and consultations and are used to measure progress on the poverty-environment dimensions of a policy.

Examples: Poverty-Environment Indicators

- Percentage of households and industries using fuelwood as a source of energy
- Percentage of contribution of renewable energy sources to national energy supply
- Number of households benefiting from small-scale local-level renewable energy sources
- Percentage of local communities living around critical wetlands involved in ecotourism or recreational activities
- Number of households benefiting from legal access to biological resources that can be traded
- Percentage of poor households within 30 minutes of a functionally safe water source
- Number of people affected by environmental risks and disasters (e.g. floods, droughts and climate-related events)

- **Coordinating and strengthening the national statistics office and related institutions.** Integrating poverty-environment issues into the national monitoring system requires working with various actors. The national statistics office is usually responsible for overall data collection and analysis in response to needs identified and defined at the national, sector and subnational levels. Ministries of education, water and health may each have comprehensive monitoring and information systems and may collect routine data at the local level. Environmental bodies (e.g. the national meteorological institute) may collect relevant data on the state of the environment and emerging issues such as climate change. This distribution of responsibilities for monitoring poverty-environment issues highlights the importance of a strong coordination mechanism to avoid duplication and to reinforce and complement existing systems, such as regular surveys and census activities.

In this regard, existing capacities in the national statistics office, planning ministries, sector ministries and other information-gathering agencies—including environmental institutions, civil society and academic institutions—should be strengthened, coordination improved and information-sharing prioritized.

Further Guidance: Steps and Example

Several steps are required to ensure that poverty-environment issues are integrated into the national monitoring system; these should be adapted to national circumstances.

- **Review literature and experience from other countries.** The literature review helps identify issues that need to be taken into account in mainstreaming poverty-environment linkages in a monitoring system. It also reveals potential indicators that may already be covered in existing routine and periodic data collection systems.
- **Organize consultations.** Consultations at various stages of the process should include both the producers and users of data to assess and create demand for data and analysis and promote linkages between policymakers and providers of information.
- **Analyse national priorities.** National priorities and poverty-environment goals, targets and implementation strategies included in policy documents must be identified so integration of poverty-environment issues in the monitoring system is fully aligned and informs future policymaking and budget allocation (see sections 5.3 and 6.2).

- **Analyse existing monitoring systems.** Poverty monitoring systems often ignore linkages with the environment, while environment monitoring systems tend not to consider the poverty impacts of environmental changes. Assessing national monitoring systems and their associated data collection and management systems provides essential information for mainstreaming. This entails analysing availability, quality and relevance of existing data sets for poverty-environment monitoring (e.g. sex disaggregation); quality and relevance of existing poverty indicators and environment indicators; roles and responsibilities; and potential providers of data for poverty-environment monitoring.
- **Identify and assess possible poverty-environment indicators.** Identifying possible indicators should be done in a participatory manner and build on previous steps (see chapter 5). As mentioned earlier, the indicators should be fully aligned with documents, such as the PRSP, that constitute the framework for policy implementation. Indicators should be measured at national, sector and subnational levels to ensure that various impacts are captured.
- **Select a core set of indicators.** A wide range of poverty-environment indicators is possible at this stage. These should be narrowed down to a small number of strategic indicators that can realistically be monitored and will inform future policy processes effectively. The criteria in box 6.1 can help in selecting the indicators.

Box 6.1 Selection Criteria for Poverty-Environment Indicators

- **Measurable, objective and reliable.** Indicators should be able to be expressed in quantitative terms. Their calculation should be repeatable with similar results. The data should be of good quality and available. Refinement of existing data collection systems should be considered.
- **Comparable and sensitive to changes.** Indicators should facilitate assessment between different circumstances and timescales and detect variations, hence the importance of regular data collection.
- **Policy-relevant.** Indicators should be useful for policymaking. They should be aligned with national priorities, policy documents and other policymaker needs.
- **Multipurpose.** Indicators should be relevant to various actors or development issues including sector issues, the MDGs and multilateral environmental agreements.
- **Gender-sensitive.** Indicators should be gender-sensitive and their data able to be disaggregated by sex so that further analysis from a gender perspective can be undertaken.
- **User-friendly.** Indicators should be easy to understand, interpret and communicate. Their number should be limited, and they should be structured along a logical framework.
- **Cost-effective.** Indicators should be measured in an affordable way. Considerations on future data management and analysis should be taken into account when selecting them. Proxy indicators (e.g. presence of certain fish species to measure water quality) can be useful.
- **Context, time and spatial dependent.** Indicators are valid for the reality in which they are designed. Often this involves a geographic limitation of the scope of the indicator (e.g. local, national or international).
- **Aggregable.** It should be possible to aggregate the measurements of the indicator from two or more geographical areas to provide regional or national values.

Sources: Adapted from UNDP-UNEP PEI 2008b; UNEP 2008b; Government of United Republic of Tanzania 2005a.

- **Integrate poverty-environment indicators in the monitoring system.** There are various ways to integrate the indicators at national, sector and subnational levels—for example, during periodic reviews of the national poverty or MDG monitoring system, and in ongoing census or routine data monitoring systems. The process involves strengthening existing systems to capture, analyse and disseminate information on poverty-environment issues. It also means developing baseline data for these new indicators (box 6.2).

Box 6.2 Integrating and Monitoring Poverty-Environment Indicators within the Framework of Rwanda's EDPRS

Background. Rwanda's environmental institutions coordinated the development of poverty-environment indicators and a strategy for monitoring them within the framework of the country's Economic Development and Poverty Reduction Strategy.

Approach. The process included the following steps:

- Reviewing the literature on existing country survey results
- Participating in EDPRS sector working group meetings and workshops
- Interviewing technical staff in different sectors and ministries
- Identifying the poverty-environment linkages
- Setting the selection criteria—e.g. measurability, feasibility of setting baselines
- Developing a list of indicators assessed for their policy relevance against priority issues
- Categorizing the indicators and identifying data sources and availability
- Selecting indicators for inclusion in the EDPRS monitoring system

Outcome and way forward. The effort instilled an appreciation among decision-makers that poverty-environment indicators are needed. The process does not stop there, however. Indicators are a tool to be continuously improved with practical lessons. They are meant to help deliver messages to influence policymaking in relevant sectors. Strong advocacy is therefore as important as the quality of the indicators, and this is the challenge ahead.

- **Strengthen institutions and capacities.** Institutions and individuals must know how to develop and use poverty-environment indicators, and how to collect, analyse and manage data (revision of surveys, data storage and management and geographical information system). Working with the United Nations Statistics Division, research institutes and universities can be a good start in this direction. Part of this effort involves documenting the process of integrating poverty-environment linkages into the monitoring system.
- **Regularly disseminate results of the analysis.** Integration of poverty-environment linkages in the national monitoring system is an iterative process. The effort aims at informing policymakers and implementers about linkages, trends and impacts of policy measures in order to make the necessary adjustments in policies and budgets. Interaction with a wide range of actors should be sustained to maintain awareness and gain feedback.
- **Regularly review the monitoring system.** Gathering feedback from the users and producers of data will facilitate periodic review of needs, indicators, data sources and data gaps in order to gradually improve the poverty-environment dimension of the monitoring system based on evolving needs, circumstances and means (e.g. technology and financial resources).

6.2 Budgeting and Financing for Poverty-Environment Policy Measures

Many poverty-environment measures are underfunded and rely on external donors. Budgeting and financing for poverty-environment mainstreaming aims at securing the funding necessary to implement strategies and reach goals set forth in policy documents, with a focus on mobilizing domestic financial resources.

Poverty-environment measures require investments by both the public and private sectors. While there are examples of market creation through which business and industry can finance interventions, many environmental issues are still underaddressed by the private sector because of market failures. Public financing thus remains central to poverty-environment mainstreaming.

The main mechanisms for public spending are national, sector and subnational budgets. Financing sources include tax and non-tax revenues, such as user charges and fees from permits or licences on natural resources and parking fees.

Approach

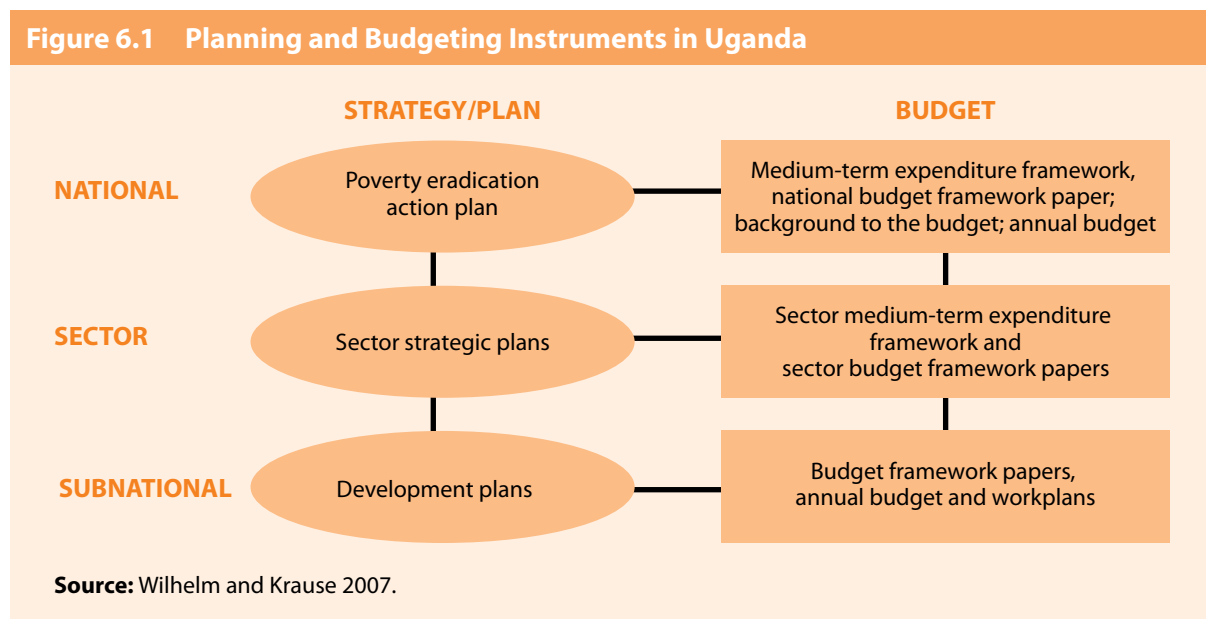
The approach to this activity consists of engaging in the budgeting process at various levels and of improving the contribution of the environment to public finances.

Engaging in the Budgeting Process

Engaging in the budgeting process requires an understanding of the process; coordinating with related policy processes; and working with civil society, donors and sector and subnational bodies.

- Understanding and becoming part of the process.** As when working to influence policymaking (see section 5.3), engaging in the budgeting process requires understanding and becoming part of the process at various stages and levels while making use of relevant tools. The budgeting process takes place at national, sector and subnational levels (figure 6.1). In some countries, including Uganda, the process begins at the district or village level, which is useful in capturing pressing priorities. In other countries, such as Eritrea, the budget is decided upon at the cabinet level and funds

Figure 6.1 Planning and Budgeting Instruments in Uganda



distributed accordingly; ministries also have their own budgets, which contribute towards the overall budget. A country's budgeting process may include a three- or five-year medium-term expenditure framework; participation by environmental actors in such a framework can yield significant rewards (box 6.3).

This engagement should follow the budgetary calendar and practices, and meet the standards of the ministry of finance or planning. It should be conducted through working mechanisms of the budgeting process, such as advisory groups to the various budget committees. Lessons from gender budgeting processes can be applied to poverty-environment budgeting efforts.

Box 6.3 Incentives for Environmental Institutions to Participate in the Medium-Term Expenditure Framework Process

- Greater budget predictability, allowing institutions to plan with more certainty for multi-year programmes
- Improved strategic planning and management through better priority-setting and preparing multi-year, costed programmes to achieve priorities
- A better system of target-setting and performance indicators to put in place credible monitoring procedures
- Improved and more accurate financial planning: the medium-term perspective in budgeting is particularly beneficial to environmental actions, which are often long term in nature
- Greater demand for good economic and financial tools to prepare well-costed programmes as environmental agencies need to demonstrate a convincing use of available resources

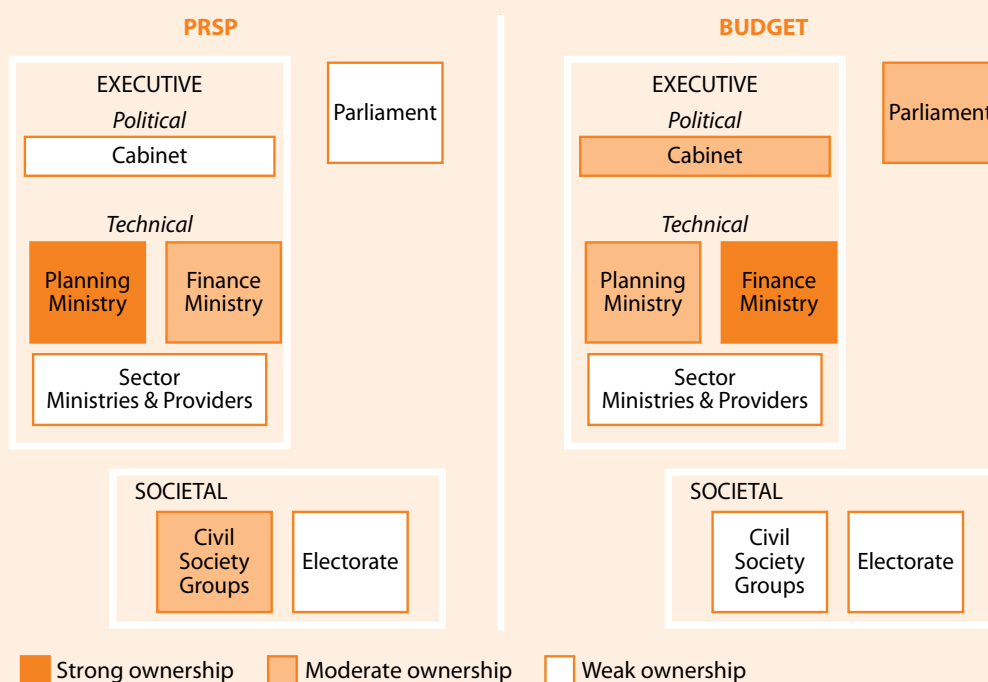
Source: Petkova and Bird 2008.

- **Coordinating with related policy processes.** Coordination with policy processes is critical and complex, and entails myriad institutions and actors engaged in a variety of initiatives in the planning and budgeting process. Figure 6.2 conceptualizes typical patterns of ownership in the PRSP and budget processes.

Although the situation varies from country to country, the planning ministry generally has strong ownership of the PRSP process, with the finance ministry and civil society having relatively less ownership. Conversely, the finance ministry has strong ownership of the budget process, with the planning ministry playing a lesser role. Parliament also has moderate ownership of the budget process, while civil society has a relatively weaker influence. Where the planning and finance ministries are separate institutional entities, there is no automatic incentive for strong coordination between the two. Also, since parliament and the cabinet tend to own the PRSP process less, they are less likely to focus on PRSP priorities when reviewing the budget (Wilhelm and Krause 2007).

As with poverty-environment mainstreaming at the policy level (see section 5.3), it is imperative to engage with the main players who drive the budget and to use their language. Economic analyses targeting specific sectors or issues (see section 5.2) can help develop arguments and strengthen the case with the sector and subnational bodies and the ministry of finance. The costing of policy measures developed earlier in the process (see section 5.4) provides useful elements in this budgeting context. Also,

Figure 6.2 Asymmetries of Ownership in the PRSP and Budget Processes



Source: Wilhelm and Krause 2007.

ensuring high-level political ownership is central to successful poverty-environment mainstreaming in the budgeting process.

Note that if the environment is regarded as a cross-cutting issue in the PRSP or other policy document, there may not be specific funding for poverty-environment issues; instead, funding for poverty-environment measures may be spread throughout the sectors and subnational bodies. In such circumstances, it is even more critical to work closely with the various actors—for example, through sector working groups or with subnational bodies—to make sure that funding for poverty-environment interventions is not left out of the national budget.

Example: Budgeting for the Environment in Uganda

After the Ugandan National Environment Management Authority had worked to integrate the environment into its PRSP, it seized on an opportunity to include the environment into the national budget. A key deadline for finalizing the budget was imminent. The authority’s executive director made a phone call to the budget director at the Ministry of Finance explaining the importance of the environment to development and the costs of inaction. The budget director was convinced and immediately accepted the idea of adding guidelines for the environment into the budget call circular. Since then, the budget director has been challenging environmental actors to present more concrete, detailed and costed proposals on which environmental interventions should be prioritized by sectors and local governments. His leadership has been extremely positive and presages a bright future for mainstreaming efforts in Uganda.

Source: UNDP-UNEP PEI 2008a.

- Mobilizing civil society and the public.** Civil society typically has a relatively important role in the PRSP process (e.g. through participatory appraisals) but limited influence over the budget, albeit with the potential for further involvement. While there is growing evidence of gender budgeting frequently being driven by civil society, a similar approach towards poverty-environment budgeting has yet to take off. Public demand and political support for pro-poor environmental investments could translate into a clear demand for addressing poverty-environment issues—for example, when it comes to such environmental risks and disasters as floods.
- Coordinating and working with donors.** Many poverty-environment issues will continue to be donor financed over the medium term. Consequently, donor support must be increased either specifically or through general budget support modalities for both the environment ministry and sector ministries so they can integrate poverty-environment issues in their work.

Budget and sector support is increasingly used to disburse donor funds but is sometimes criticized for allowing environmental issues to be ignored. The solution lies in moving towards innovative approaches of joint donor poverty-environment funding leveraging donor groups.

Improving harmonization among the many external sources of global funds (e.g. the GEF) with the national budget and other donor sources can also be beneficial.

Because budget support will be provided in line with the priorities in the PRSP or equivalent policy document, poverty-environment issues must be mainstreamed into the policy documents (see section 5.3). Further, as in the United Republic of Tanzania, champions must work with government and donors to include poverty-environment indicators (see section 6.1) in relevant government-donor performance budget assessment frameworks to ensure that appropriate attention to poverty-environment issues is built into these funding performance assessment mechanisms.

- Advocacy of appropriate financing to sector and subnational levels.** Sectors and subnational bodies play a key role in environmental service provision and

Example: Investment in Climate Adaptation in Viet Nam

The significant increase in natural disasters in Viet Nam in 2007 led the government to decide to immediately develop a targeted investment programme focusing on climate adaptation.

Example: Environment Included in Performance Assessment Framework in the United Republic of Tanzania

In the United Republic of Tanzania, where donors provide direct budget support of approximately \$600 million per year, it was imperative to ensure this aid had an environmental sustainability component. The national government, with the support of some donors, developed environmental indicators for the performance assessment framework—the tool that measures performance from direct budget support. The inclusion of these indicators has helped elevate the environment to a higher level and has focused government attention on its own environmental performance.

Source: Assey et al. 2007.

management. Attempts to promote poverty-environment measures have had mixed success partly because many subnational bodies lack capacity and financial resources and may not be focused on poverty reduction. In particular, local authorities' lack of adequate funding can drive them to maximize short-term harvests of natural resources as a means of collecting operating revenues. The Namibian experience with protected areas shows that the success of protected areas depends on strengthening funding (box 6.4).

Box 6.4 Financing Namibia's Protected Areas

Background. Studies have highlighted tourism—particularly centred around the nation's wildlife—as one of Namibia's most important industries. Indeed, purchases of services by foreign tourists were estimated to be about 3,100 Namibia dollars (N\$) in 2003, accounting for some 24 per cent of the country's total exports of goods and services. Although Namibia's protected area system has significant economic value because of the direct and indirect income it generates through tourism and wildlife industries, its management was heavily dependent on a limited budgetary appropriation that was far from sufficient. Shortages of funds meant that the protected area system struggled to meet its conservation objectives and that there was little investment in it.

Approach. To facilitate more adequate income flows for enhanced protected area management, the Ministry of Environment and Tourism, with support from the GEF and UNDP, estimated the economic values associated with the protected area system with a view to using this information as a basis for planning investments in the system over the next decades.

Outcome. The study found that parks contribute N\$ 1 billion to N\$ 2 billion to the national economy. Demonstrating the economic contribution of parks led to an increase in core funding from N\$ 50 million to N\$ 110 million. This increase is in turn expected to generate a positive rate of return of 23 per cent.

The study highlighted the need to understand true costs, economic contribution and potential revenue streams for parks. It also demonstrated that the survival and success of the protected area system increasingly depends on strengthening funding. This includes funding by international grants and government, and by capturing more of the existing and potential direct use value. The study concluded that it was critical to develop incentives—that is, to retain revenues earned within the park agency.

Source: Turpie et al. 2004.

Understanding the Contribution of the Environment to Public Finances

As the Namibian case illustrates (box 6.4), valuing the economic contribution of natural resources and their replacement costs when depleted can inform policymaking, budgeting and financing for poverty-environment issues (see section 5.2). It can also help limit the depletion of resources and increase revenue collection. Successful valuation requires strengthening the capacities of environment, planning, finance, and sector and subnational bodies to track and forecast this contribution and how it can be improved—for example, through public expenditure review and environmental accounting (box 6.5).

Box 6.5 Evidence Leads to Larger Budgets for Environmental Institutions

Cambodia. The Fisheries Department was able to show that it contributed 10 per cent of GDP. This analysis was instrumental in persuading the Ministry of Finance to accord fisheries more government funds and higher priority in dialogues with donors (ADB 2000).

Pakistan. Evidence was presented to the cabinet showing the benefits of improved sanitation and clean water in comparison to lower provision costs. The cabinet immediately approved increased investment in water supply and sanitation.

United Republic of Tanzania. The Ministry of Finance increased the budget allocation to the environment from just over 1 billion Tanzanian shillings in 2005–06 to almost 5.7 billion Tanzanian shillings in 2006–07 on the strength of evidence from a public expenditure review that showed an annual loss of \$1 million in the sector. It found additional investment in the sector worthwhile, based on evidence of its high contribution to household incomes and livelihoods (UNDP, UNEP and GM 2007; Assey et al. 2007).

Increasing Revenues from the Environment

The environment sector can better contribute to public finances by raising revenues through sustainable market mechanisms and environmental management.

Environmental institutions should work to increase the amount of revenues they raise to support the environment and other development priority sectors such as health and education while ensuring sustainable management of natural resources. In some cases, environmental institutions are able to collect their own taxes and charges, which can be reinvested in improved management. In many protected areas, a share of the entrance fees goes to park management. In several African countries with rich offshore fisheries, a share of the licence fees paid by foreign fleets is earmarked for regulating the fishery. Such user charges constitute a type of **environmental fiscal reform**.

Environmental fiscal reforms entail a wide range of taxation and pricing instruments that can help countries raise revenues while creating incentives that generate environmental benefits and support poverty reduction efforts—for example, by financing infrastructure that improves access of the poor to water, sanitation and energy services. Environmental fiscal reforms can thus also be considered as policy measures (see sections 5.4 and 6.3), as they influence the way the environment is managed.

The government can create **market mechanisms** that can contribute to raising revenues, translate into investments that would otherwise have necessitated public spending (e.g. renewable energy facilities) or create incentives for sustainable environmental management. Payment for ecosystem services and carbon trading are two examples of such mechanisms.

Payment for ecosystem services, also known as payment for environmental services, refers to a variety of arrangements through which the beneficiaries of ecosystem services compensate the providers of those services. Payment schemes may be a market arrangement between willing buyers and sellers, perhaps intermediated by a large private or public entity, or payments may be government driven (WWF 2008).

Examples: Payment for Ecosystem Services

- **Africa.** Tourist companies pay communities for their protection of local wildlife.
- **United States of America.** A portion of household water bills in New York is used by the water company to compensate farmers in the vicinity for watershed protection services.
- **Costa Rica.** The government uses a fraction of the tax on energy to compensate farmers for forest conservation services.

The Clean Development Mechanism (CDM) under the Kyoto Protocol to the United Nations Framework Convention on Climate Change allows industrialized countries with emission reduction commitments to invest in projects that curb emissions in developing countries as an alternative to more expensive emission reductions in their own countries. In practice, this means that industrialized countries finance investments in the fields of renewable energy (e.g. wind, hydropower, biomass energy), improved industrial processes and energy efficiency, improved waste management (landfill gas) or agriculture in developing countries.

The CDM is entirely commercial in nature, involving contracts between polluting entities and those that can generate emission offsets at a lower cost. The result is that CDM participants inevitably seek the most cost-effective way of generating carbon credits, which usually entails a focus on large-scale industrial processes or other carbon-intensive practices. Poor people therefore have few means of directly benefiting from the CDM. In addition, the CDM's rules, procedures and methodologies are complex, limiting participation (thus far) to a handful of relatively advanced countries. In 2006, over 90 per cent of the CDM projects benefited only five middle-income countries and emerging economies (UNDP 2006).

While the CDM is the officially sanctioned carbon trading mechanism between industrialized and developing countries, there are other means by which credit for carbon sequestration can accrue to developing countries. Considering the growing number of global opportunities to obtain funding for climate change, institutions and capacities to understand and interact with the global institutions involved need to be strengthened.

The way revenues are shared among different levels of government raises issues. Earmarking revenues from pollution or natural resource extraction taxes to the sectors or subnational bodies that are collecting them can stimulate collection efforts, public support for taxes and the predictability of financing for these institutions. On the other hand, earmarking raises questions of equity, efficiency of resource allocation across sectors and regions, and marginalization of environmental issues in the mainstream budget process (OECD 2007).

Even if the revenue raised by environmental institutions goes to the treasury, it can help argue for a higher level of budget allocation for the environment sector (box 6.6) or convince decision-makers to invest in long-term poverty-environment policy measures.

Box 6.6 Increased Revenues Lead to Larger Budgets for Environmental Institutions

Bangladesh. With increased collection of licences and fines on industrial enterprises for pollution control, the Department of Environment increased its revenue more than threefold over 2007. On the basis of this success, it has convinced the treasury to allocate funds for an additional 1,000 staff members.

Sri Lanka. By managing its plantations more profitably, the Forestry Department was able to reduce its demand for public revenues considerably. Its demonstrated ability to generate revenues has gained it a higher budget allocation from the treasury.

Addressing Tax Evasion and Corruption

Efforts to reduce tax evasion and corruption can considerably increase financing for poverty-environment measures, as illustrated by the examples below. This requires tougher enforcement for companies that extract natural resources and within the government.

Beneficiary involvement—by which measures are partly financed by contributions from the population—can also reduce corruption and keep costs down. Collective management of forestry is widespread in many parts of the world, with local user groups receiving a share of the benefits of timber and non-timber products. Similarly, collective fishery management is increasing, with major successes in Cambodia and attempts in Bangladesh.

Examples: Financial Losses from Tax Evasion and Corruption

Global. Worldwide, estimates suggest that illegal logging activities may account for over a tenth of the total global timber trade, representing products worth at least \$15 billion per year (Brack 2006). Similarly, the value of illegal, unreported and unregulated fishing in developing countries is estimated at \$4.2 billion to 9.5 billion (MRAG 2005).

Cambodia. Bribes to government officials in the Forestry and Land Departments in 1997 were estimated at \$200 million per year; official revenue from legal forest operations was only \$15 million (UNDP et al. 2003).

Indonesia. Research suggests illegal logging in East Kalimantan results in \$100 million in lost tax revenues each year (CIFOR 2006).

Papua New Guinea. The rich tuna fishery industry of the Pacific is prone to much tax evasion. In Papua New Guinea, the cost from illegal, unreported and unregulated fishing is over \$30 million per year (MRAG 2005).

Further Guidance: Key Entry Points

Table 6.1 provides guidance for engaging with the budgeting process.

Table 6.1 Poverty-Environment Mainstreaming in the Budget Process

Entry point	Recommended actions for poverty-environment mainstreaming
Budget execution report of previous financial year(s)	<ul style="list-style-type: none"> • Assess and review the existing budget allocations and level of spending for poverty-environment measures in the lead ministry, sectors and subnational bodies • Use the results of an independent public environmental expenditure review or other economic analyses to inform the overall public expenditure review • Verify whether the planned budget for poverty-environment measures was actually received and the planned measures implemented • Compare expenditures with initial financial requirements to identify the funding gap • Work closely with sectors and subnational actors; organize working groups or consultative meetings to discuss and prepare sector and subnational budget reports that consider poverty-environment measures and issues
Budget call circular and budget guidelines	<ul style="list-style-type: none"> • Integrate guidelines for poverty-environment budgeting in the budget call circular sent out by the ministry of finance; if necessary, integrate new budget codes for environment-related expenditures in these documents
Preparation of sector and subnational budgets	<ul style="list-style-type: none"> • Provide assistance in budgeting for poverty-environment issues, including assessing revenues from natural resources at each level • Ensure that subnational bodies benefit from adequate funding to avoid over-harvesting of natural resources at the local level
Revision of budgets submitted	<ul style="list-style-type: none"> • Sectors and subnational bodies submit their budgets to the ministry of finance, which then discusses the budget with other ministries; ensure a good understanding of poverty-environment linkages at all levels so national, sector and subnational bodies can include funds that address these priorities in their budgets
Selection of priority sectors or programmes and budget allocation	<ul style="list-style-type: none"> • Encourage inclusion of poverty-environment measures in budgets of priority sectors and programmes; priority areas are given prominence in terms of resource allocation and may also be given special protection against within-year cuts in budget disbursements (Wilhelm and Krause 2007); activities in priority areas are tracked more closely during implementation • Ensure an increased budget allocation for the environment sector itself; without a stronger environmental sector contribution and technical assistance, poverty-environment mainstreaming will not be sustainable
Discussion and approval in parliament	<ul style="list-style-type: none"> • Promote transparency and budget information disclosure to parliament and the public; encourage verification of budget execution, results and new budget allocations
Budget execution and expenditure management	<ul style="list-style-type: none"> • Once funds have been allocated, apply good practices in terms of expenditure management • Verify that public expenditures achieve the intended results and contribute to a coherent strategy for achieving poverty-environment objectives
Budget monitoring and reporting system	<ul style="list-style-type: none"> • Ensure that the system for monitoring budget execution includes indicators to monitor progress on poverty-environment mainstreaming • Keep indicators simple but tailored to user needs so they can facilitate future reporting, decision-making or corrective measures in the policymaking and budgeting processes

6.3 Supporting Policy Measures at the National, Sector and Subnational Levels

For the mainstreaming efforts made during the policy and budgeting processes to produce results, it is necessary to provide support for implementation of the policy measures previously identified and costed (see section 5.4).

The main objective of supporting the policy measures is to ensure that they are implemented effectively and that the budget allocated for poverty-environment issues is executed. A related objective is that policy measures are integrated and enacted through related national, sector and subnational programmes and activities. A final objective is ensuring that lessons are learned through monitoring and evaluation.

Approach

The approach to this activity consists of providing technical support and engaging with government and development actors at national, sector and subnational levels during the various stages of implementation, as described below:

- **Planning of policy measures**, including defining an implementation plan, assigning roles, building partnerships and assessing the policy measures (box 6.7)

Box 6.7 Strategic Environmental Assessment of Mexican Tourism

Background. Tourism accounts for approximately 9 per cent of Mexico's GDP. It is the country's third largest source of foreign currency (\$10,800 million a year), drawing more than 52 million domestic and 20 million international visitors in 2004. However, if de-linked from sustainable planning and investment, tourism growth can threaten the very resources on which it is based. In a 2002 tourist survey, environmental quality—one of the key determinants for selection of tourist destinations—received the lowest rating. Mexico's 2001–2006 National Development Plan emphasized the need for economic development with human and environmental quality.

Approach. A strategic environmental assessment process of the tourism sector was initiated to formulate and implement a sustainable policy for the country. To ensure broad participation and commitment across sectors, an Intersectoral Technical Working Group was established, drawing on representatives from the tourism, environment, forests, water and urban development sectors and the interior and finance ministries. It set sector priorities, an action plan for implementation and medium-term monitoring indicators. The group has since been formalized as the Intersectoral Commission for Tourism.

Key benefits. Several benefits were realized from the assessment:

- It provided environmentally based evidence to support informed decisions. It identified environmental opportunities and constraints associated with different growth scenarios, as well as priorities consistent with optimizing the benefits from tourism without overexploiting the environment.
- The approach translated into participation from all sectors and relevant stakeholders. The working group enabled parties with different mandates over natural resources and other issues to make durable commitments and reach agreements with a long-term perspective.
- The findings of the analytical work are informing a policy for sustainable development of tourism.

Source: World Bank 2005, cited in OECD 2006b.

- **Implementation of policy measures**, including engaging stakeholders, raising awareness and strengthening institutions and capacities (e.g. for programme, financial and environmental management)
- **Monitoring and evaluation of policy measures**, including financial follow-up and lesson learning (box 6.8)
- **Scaling up of policy measures**, including duplicating and broadening successful measures

Box 6.8 Evaluating Policy Measures: Economic Instruments Targeted at Energy, Water and Agriculture for the Benefit of the Poor in Uganda

Background. Uganda has begun evaluation of its Poverty Eradication Action Plan and formulation of the next one, to be called the Five-Year National Development Plan. As part of the plan's formulation, sector working groups have been requested to generate evidence that will influence the choice of priority actions. The Environment and Natural Resources Sector Working Group has commissioned a study on the use of economic instruments for environmental management.

Case 1: Promotion of alternative sources for lighting and cooking. In 2006–07, the Ministry of Finance exempted the value added tax on liquid petroleum gas to increase its affordability as an alternative source for lighting and cooking. While the policy aims to help the poor, only 2.3 per cent of the rural population use electricity, liquid petroleum gas or paraffin for cooking, so the subsidy's chances of helping the poor are low. In addition, the Uganda Revenue Authority has forfeited 3.4 billion Ugandan shillings (\$2.1 million) in revenue in one year. Following the evaluation, it was recommended to reintroduce the duty and to use the revenue to fund activities such as tree planting that can benefit the environment and the poor.

Case 2: Implementing the polluter-pays principle to curb water pollution. In 1998, the government introduced a water waste discharge fee ranging from 0 to 13 million Ugandan shillings (\$0 to \$7,000) in proportion to the biological oxygen demand load. The fees are meant to encourage investment in less polluting technologies. However, the legislation only states that companies may register for discharge permits. As a consequence, despite economic growth, only 27 companies have registered out of around 200 businesses that were initially identified. The current legislation thus needs to be amended to require that all major water polluters register for discharge permits.

Case 3: Revision of unsuccessful incentives to promote pro-poor productivity in agriculture. In 2005–06, the Ministry of Finance exempted interest earned by financial institutions on loans granted to persons engaged in agriculture to encourage them to lend to the sector. To further encourage banks, the minister proposed in 2006–07 that expenditures, losses and bad debts incurred in lending to the sector be tax deductible. From an environmental perspective, there is no evidence as to the impact of this lending. Moreover, only 1.8 per cent of rural households borrow from formal sources and 4.5 per cent from semi-formal sources. Given that small-scale subsistence farmers account for 70 per cent of the poor, it is unlikely that this policy has had a significant impact on poverty. It is thus recommended to collect data on the specific use of the agricultural loans to enable monitoring of impact. A case can be made for transferring some of the tax break to microfinance institutions, which are more likely to lend to the rural poor. Tax breaks that banks claim for their expenditures and losses in the agriculture sector need to be monitored.

Source: UNDP-UNEP PEI Uganda 2008.

Further Guidance: Steps and Example

Table 6.2 presents steps in the policy measure implementation process and actions to be taken for poverty-environment mainstreaming in this process. These steps should be adapted to the particular context; depending on the circumstances, steps may be done concurrently or in a different order.

Table 6.2 Main Steps in Implementing Policy Measures	
Step	Recommended actions for poverty-environment mainstreaming
1. Develop an implementation plan	<ul style="list-style-type: none"> • Develop the measure in line with the national, sector and poverty-environment priorities identified in the policy document at stake (see section 5.4) • Assess the environmental and poverty components of the policy measure, e.g. through a strategic environmental assessment or other type of analysis • Include information on the measure, objectives, timing, scope, tasks, stakeholders, partners and monitoring and evaluation
2. Assign clear roles	<ul style="list-style-type: none"> • Understand the institutional set-up and the decision-making process • Include specific tasks such as producing reports or studies and ensuring deliverables
3. Build partnerships	<ul style="list-style-type: none"> • Work with partners who can provide guidance, advice and technical assistance during implementation • Coordinate with initiatives or projects that have similar objectives
4. Engage stakeholders, raise awareness and strengthen institutions and capacities	<ul style="list-style-type: none"> • Engage with stakeholders to foster quality, consensus and ownership • Raise awareness through media campaigns to broaden the circle of those affected by the policy measure • Use national institutional, human and technical resources for long-term sustainability • Provide technical support for programme and financial management
5. Monitor	<ul style="list-style-type: none"> • Monitor and collect feedback on how the implementation is progressing, including following up on expenditures • Carry out a midterm review or evaluation with the help of staff, practitioners and actors involved in implementation; use the findings and recommendations to influence the remainder of the implementation • Use benchmarking as a means of encouraging subnational bodies to adhere to sector policies and guidelines, and improve service delivery
6. Evaluate and collect lessons	<ul style="list-style-type: none"> • Evaluate the benefits of the measure for poverty reduction and the environment and feed lessons back to the relevant processes, including policymaking and budgeting • Use external evaluators to raise issues potentially overlooked by insiders • Share lessons learned with those who worked on developing and implementing the measure; use lessons learned to influence how future interventions are carried out • Use audits to increase accountability
7. Replicate the intervention	<ul style="list-style-type: none"> • Scale up or replicate measures successful in one area or sector by collaborating with other sector and subnational bodies

Sources: Kojoo 2006; ODI 2004; OECD, EUWI and WSP 2007.

Box 6.9 presents an initiative to support the development of district environment action plans in Kenya, which highlights the importance of partnership-building, stakeholder engagement, institutional and capacity strengthening, lesson learning and making use of opportunities for replicating the effort.

Box 6.9 Kenya: Integrating the Environment into Development Planning at the District Level

Kenya's poverty-environment mainstreaming effort included support to develop district environment action plans in three of its nine Millennium districts (an expansion of the Millennium Villages project, which looks to demonstrate that rural Africa can achieve the MDGs through community-led development): Bondo District (Nyanza Province), Murang'a North District (Central Province) and Meru South District (Eastern Province).

Approach. The action plans were developed in line with the 2009–2013 district development plans. Their development incorporated the following:

- Community-based planning, in collaboration with the World Wide Fund for Nature (WWF)
- Training of district environment council members, retreats and field visits
- Drafting of district environment action plans based on these outputs
- Joint missions from the Ministry of Planning and National Development, the National Environment Management Authority and the UNDP-UNEP PEI
- Stakeholder workshop to review the draft and prepare an implementation matrix
- Finalization of plans based on workshop outputs and comments from the National Environment Management Authority
- Budget preparation
- Endorsement of the plans by the District Executive Committee

Although some plans were more complete than others, the project produced a valuable learning experience and is being scaled up to other districts.

Lessons learned. Among the lessons learned were the following:

- A bottom-up approach is challenging in that community-based priorities were not incorporated in the district-level planning process.
- Support to community and facilitation of district planning is best done through local actors.

Additionally, linkages between the environment and planning were strengthened as a result of joint support from the respective institutions.

Source: Wasao 2007.

6.4 Strengthening Institutions and Capacities: Establishing Poverty-Environment Mainstreaming as Standard Practice

The aim of this activity is to make sure that poverty-environment mainstreaming will be sustained in the long term, once the initial mainstreaming effort is complete. The goal is to ensure an enduring integration of poverty-environment issues in policymaking, budgeting, implementation and monitoring. More specifically, the objective is to embed poverty-environment issues in government and institutional systems, and to foster an understanding among the people who work within these systems so they can improve public performance and achieve poverty-environment objectives.

Approach

The approach to this activity is based on a solid understanding of what has made previous initiatives succeed or fail and of government and administrative processes, practices, procedures and systems in order to develop a long-term approach to establishing poverty-environment mainstreaming as standard practice.

Taking Stock of Previous Efforts

The activity begins by taking stock of all efforts towards institutional and capacity strengthening made since the inception of the poverty-environment mainstreaming initiative. This includes the institutional and capacity needs assessment carried out during the initial effort (see section 4.4) and the experience and lessons gathered through tasks carried out previously (see section 5.5).

Analysing Government and Institutional Processes and Developing a Strategy

Drawing from the information gained throughout the process, the starting point of the strategy is to conduct a robust analysis of routine government and institutional processes, practices, procedures and systems with a view to entrenching previous efforts in poverty-environment mainstreaming and making the programme sustainable. Key elements to consider in the strategy include the following:

- **Recurrent entry points.** Recurrent entry points or regular processes include the revision of policy documents such as a PRSP, a national development strategy and sector and subnational strategies or plans. Mainstreaming poverty-environment linkages in the reviews of the national budget allocation process (e.g. medium-term expenditure framework) is also critical to long-term results.
- **Institutional cooperation mechanisms.** Mechanisms for long-term engagement among the environment, finance, planning, and sector and subnational bodies should be put in place. These mechanisms can take the form of thematic working groups or stakeholder meetings, or make use of existing governmental committees or donor coordination mechanisms, among others. New structures can thus be created or existing mechanisms leveraged. The modalities of operation of such working mechanisms (frequency of meetings, terms of reference, composition) should be defined.

Examples: Institutional Mechanisms

- In **Malawi**, the Central Agency Committee has a mandate to review all new policies to ensure their coherence.
- In **Uganda**, the National Planning Authority coordinates all planning processes.

- **Roles, human resources and accountability mechanisms.** The various government bodies should allocate roles (rights and responsibilities) and human resources within their institutions, and should delineate the corresponding accountability mechanisms and incentives. Establishing or strengthening environmental units and officers in sector ministries and subnational bodies is central to effective poverty-environment mainstreaming.

Examples: Human Resources

- In **the United Republic of Tanzania**, the Environment Management Act of 2004 mandated all sector ministries and agencies to set up environment units, although this is not yet functional.
- In **many countries**, environment officers work at the district level. It is important to support these officers in coordinating their efforts and in gaining the necessary skills and resources.

- **Procedures and systems.** Integrating poverty-environment linkages in government and administrative procedures and systems, and in the relevant bodies, is a necessary step for long-term results.

Examples: Procedures and Systems

- Budget call circulars
- Stakeholders' consultations, peer reviews and expenditure reviews
- Staff training
- Reporting and monitoring
- Parliamentary commissions

- **Approaches and tools.** Systematically using certain approaches and tools to monitor progress and raise awareness about poverty-environment mainstreaming is also recommended.

Examples: Approaches and Tools

- Regular working papers or policy briefs
- Studies and department reports
- National audits and monitoring programmes
- Communication tools
- Strategic environmental assessments and environmental impact assessments

Further Guidance: Examples

The success of this final activity depends to a large extent on the national experience and buy-in accumulated throughout the poverty-environment mainstreaming effort.

In addition, ongoing public reforms might be relevant, especially in building accountability and partnerships. Many development actors organize trainings and provide tools for institutional and capacity strengthening, and interested countries can make use of such instruments or cooperate with these partners in areas where it is needed. Box 6.10 provides examples from countries that have used national development processes as opportunities to strengthen their institutions and capacities.

Box 6.10 Strengthening Institutions and Capacities through National Development Processes

Ecuador: National dialogue rallies consensus on sustainable development. Under the aegis of Dialogue 21, information and communication tools have created a public space that has brought together social, political, governmental and economic forces around sustainable development. Together, a spectrum of people have built consensus in a crisis situation, engendering trust and changing previously confrontational and suspicious minds. External agencies played a facilitating role, used flexible and adaptive aid instruments, built on the practices of local institutions and inspired confidence among the different groups. The experience may offer a model for replication in other fragile States or post-crisis situations.

Kenya: The environment policy strengthens mainstreaming. The preparation of the Environment Policy in 2008 was led by a national steering committee composed of experts in the environment and development. The process drew on the participation of stakeholders from government, civil society, communities and politicians through thematic task forces and consultations. The policy intends to strengthen linkages between the environment sector and national development. Implementation will depend on sector plans and budgets. Thus, the approach focuses on strengthening the environmental institutions to engage with them, including with the finance and planning bodies.

Mozambique: Effective budget supports post-flood reconstruction. Following the floods and cyclones of 2000 and 2001, the government established a post-flood reconstruction programme, demonstrating its leadership and ability to rally the international community and perform efficiently and transparently. Strong commitment provided the incentive for donors to pledge significant resources and work largely through the national system, including the budget. This in turn helped strengthen accountability and transparency while avoiding complex funding arrangements. A parliamentary task force further ensured that the government was not only held accountable by its external partners but also by legislators.

South Africa: Women analyse the budget and parliament takes their advice. The Women's Budget Initiative analyses allocations across sectors and assesses whether these are adequate to meet policy commitments. A collaborative venture involving parliament and civil society organizations, the initiative has a strong advocacy component, particularly around gender. Besides demonstrating how this kind of partnership can increase accountability and transparency in public expenditures, it shows how civil society expertise can complement public capacities—and, in the process, strengthen policy formulation overall.

United Republic of Tanzania: Sustainable incentives for civil servants help improve service delivery. Government and donors have come together to institutionalize a system of incentives within the public service. The Selective Accelerated Salary Enhancement scheme, part of the overall Public Service Reform Programme, offers a solution to salary incentive problems within the wider context of pay reform. Aimed at addressing low motivation, uncompetitive salary structures and capacity development, the scheme targets personnel with the greatest impact on service delivery. It provides an opportunity for donors to harmonize their practices around national systems and strives to reduce distortions in the local labour market.

Sources: Lopes and Theisoeh 2003; UNDP-UNEP PEI n.d.

Table 6.3 Summary: What Does “Meeting the Implementation Challenge” Encompass?

Achievement	Examples
Poverty-environment indicators	<ul style="list-style-type: none"> • United Republic of Tanzania’s indicators of poverty-environment linkages (Government of United Republic of Tanzania 2005a)
Integration of poverty-environment linkages in the monitoring system, including data collection and management	<ul style="list-style-type: none"> • Rwanda’s <i>Poverty-Environment Indicators and Strategy for Monitoring Them within the Framework of the EDPRS</i> (UNDP-UNEP PEI Rwanda 2007a)
Budgeting and financing for poverty-environment issues	<ul style="list-style-type: none"> • Uganda’s <i>Mainstreaming Environmental Issues into Budget Framework Papers: User’s Manual</i> (UNDP-UNEP PEI Uganda 2007) • Increased revenues from the environment sector • Policy measures for poverty-environment issues budgeted for and financed at various levels • Execution of budget for poverty-environment mainstreaming, according to plan
Effective policy measures on poverty-environment issues	<ul style="list-style-type: none"> • Agricultural policy • District plans integrating poverty-environment linkages • Replication of successful policy measures
Establishment of poverty-environment mainstreaming as standard practice in government and administrative practices, procedures and systems	<ul style="list-style-type: none"> • Rwanda’s <i>Guidelines for Mainstreaming Environment into the Economic Development and Poverty Reduction Strategy</i> (UNDP-UNEP PEI Rwanda 2007b) • Mandates, reporting and monitoring, training, budget call circulars • Strategy for long-term institutional and capacity strengthening
Involvement of stakeholders and development community	<ul style="list-style-type: none"> • Subnational bodies, private sector and local communities