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DAC Network on Poverty Reduction

POVNET PROGRAMME OF WORK 2011-12

PRO-POOR GREEN GROWTH

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GREEN GROWTH AND POVERTY REDUCTION

POVNET Workstream 2011-12

a) Rationale

1. The DAC Network on Poverty Reduction has continually highlighted the importance of considering the pace and pattern of economic growth and its impact on the poor in designing policies and approaches for developing country governments and donor agencies. Over the last years it has examined the growth-employment-poverty reduction nexus which has been largely overlooked in policy formulation and implementation. It has provided guidance to donors to support efforts to underpin growth in areas where the poor earn their livelihoods (*e.g.* agriculture and informal businesses) and to improve the ability of poor people to connect to growth (*e.g.* by improving occupational and geographic mobility and making infrastructure and markets work better for the poor). It has stressed that Private sector development policies need to pay much more attention to the informal economy and provided guidance on particular sectors such as agriculture and infrastructure and particular social and economic policy themes such as private sector development, employment, empowerment and social protection. Increasingly it is important that the POVNET discussion also takes account of the environmental dimension although POVNET in the past has reviewed and discussed the draft DAC Guidance on “Natural resources and pro-poor growth”. While the perspective is first and foremost rooted in understanding ways to reduce poverty, it will examine ways in which green growth can provide opportunities for the poor and strengthen the poverty reduction agenda.¹ Green growth is an important issue both for cross country and inter-generational equity. Green growth in a developing country context requires a specific look at relevant sectors, policy spheres and policy instruments that can promote and facilitate pro-poor and green growth. The work stream will examine the difficult trade-offs between economic growth, on the one hand, and environmental sustainability, on the other.

2. The United Nations Environment Programme (UNEP) defines greening the economy as a process of reconfiguring businesses and infrastructure to deliver better returns on natural, human and economic capital investments, while at the same time reducing greenhouse gas emissions, extracting and using fewer natural resources, creating less waste and reducing social disparities. The OECD tentatively defines Green Growth as “maximising economic growth and development while avoiding unsustainable pressure on the quality and quantity of natural assets. It is also about harnessing the growth potential that arises from transiting towards a green economy”. The World Bank suggests that developing countries can shift to lower-carbon growth paths while promoting development and reducing poverty. This, however, depends on the availability of financial and technical assistance from high-income countries. International Cooperation is essential in realising Global Green Growth from the transfer of technology to the transfer of skills, knowledge and behaviours. Furthermore, climate change and policies taken to mitigate it will shift

¹ The green growth agenda has been embraced by many developing countries; some are already attempting to take advantage of emerging opportunities. For instance, Rwanda one of the most dynamic economies of sub-Saharan Africa understands that maintenance of ecosystem services through reforestation and restoration is crucial for enabling economic development. It has committed to expanding its GDP by 10% per annum without increasing its CO₂ emissions. Because Rwanda is a landlocked country it is expensive to import coal, oil and gas. Consequently planned irrigation projects now also need to double-up as micro energy generation projects: villages that need water also need electricity.

patterns of comparative advantage and impact the production and trade strategies of partner countries. Building on existing guidance from both POVNET and ENVIRONET and in concert with other work areas which examine issues of food security and social protection POVNET and ENVIRONET will provide guidance on pro-poor green growth to strengthen the resilience and adaptive capacity of developing countries. This will assist them in dealing with new global green growth frameworks while taking account of local impacts on the livelihoods and opportunities of the poor.

3. Poor countries and poor people are most vulnerable to negative environmental changes. Fifty per cent of the population in Africa live in drought-prone and climate-sensitive areas. At the same time, for the majority of developing countries, tackling abject poverty, providing basic education, ensuring food security and decent livelihoods, and delivering essential services such as water supply and sanitation will remain overarching priorities. Consequently, for poor countries, green growth and poverty reduction must go hand in hand and development co-operation should promote ‘pro-poor green growth’, *i.e.*, environmentally sustainable growth in which poor women and men can participate, contribute and benefit. This must be an essential part of Green growth strategies and policies which respect developing countries’ priorities and seeks the development of low-carbon growth approaches that promote sustainable poverty reduction and pro-poor growth.

4. The initial discussion on this workstream in November 2010 stressed the importance of the topic, in particular for employment opportunities in the future. There was also some questioning as to whether, from the perspective of ensuring the livelihoods of poor people, there is a trade-off or whether, in fact, there is no way of reconciling growth and environmental sustainability (the example of horticulture in Tanzania was cited, which had been a success economically but was leading to the degradation of land and water courses). Developing countries have very significant endowments of natural capital which are critical for the provision of global environmental goods and services. Poorer developing countries’ economic development paths and the extent to which they are able to manage their natural resource base will be critical to the achievement of global green growth. In addition there may be ways developing countries can take advantage of the opportunities presented by global climate change mitigation efforts such as preserving natural habitats, environments and creating carbon sinks, eco-tourism etc. These areas could have particular relevance for the poor.

b) Objectives

5. Realising green growth in developing countries will depend on the behaviours of governments, producers, firms and ultimately consumers around the world. Globally, getting price signals right will enable market based instruments to create incentives to preserve natural assets and reduce carbon output. How this policy prescription is applied to developing countries and what impact the policies of the developed world will have on the growth and income distribution of developing countries need to be better understood. While Governments must build a supportive environment with appropriate complementary policies and investments in utilities and infrastructure, Green Growth is primarily a private-sector response involving changes in the sectoral structure of production, and changes in crop patterns (Collier, Conway and Venebles, 2008). Governance issues and the extent of the informal economy in poor developing countries will make it more challenging to mobilize the different actors to achieve green growth.

6. For Green growth strategies to succeed there are a range of generic problems such as poor business environments, poor regional integration, and inadequate trade, transport and energy infrastructure. Credit constraints mean that the cheapest available options are often chosen as opposed to those that deliver environmental benefits (ODI and DFID - 2009). This suggests that donor involvement in renewable energy technologies, public transport systems and facilitating trade of environmental goods and services typically results in a “win : win” situation for developing countries: reducing costs and reducing emissions. However there are considerable difficulties in balancing immediate economic necessity with adverse but

possibly long term environmental consequences and low carbon and environmentally-friendly approaches are not automatically win-win solutions. Reconciling sustainable use of land, water and other natural resources with growth needs to be examined and is a key objective of this workstream

7. This work will also discuss the role development cooperation can play in assisting partner countries to build their productive capacities and economic resilience in environmentally sustainable ways. It will examine how donors can foster greener growth and how trade-offs can be identified and in some cases addressed. It will facilitate the sharing of information on donor approaches and difficulties in reconciling poverty reduction with environmental policies. POVNET will build on its traditional strengths and re-examine previous guidance in the areas of agriculture, private sector and infrastructure to ensure it adequately takes account of environmental issues. As these areas are key to green growth in developing countries the experience of previous discussions should be built on. Generally green growth will involve building generic capacities which have multiple not just environmental benefits.

8. One ambition for this work stream is to bring a POVNET pro-poor growth perspective into other work on green growth. In cooperation with the DAC Network on Environment and Development (ENVIRONET), this workstream will contribute to the further development of the OECD Green Growth Strategy to ensure that the development perspective and in particular the perspective of the poor is taken account of.

c) Proposed Outputs

9. The objective of this work is to advise donors on how best to help partner countries embrace the green growth agenda in ways that reduce poverty and inequality. Intermediate outputs will include:

- bringing in the perspectives of developing countries (governments, business, civil society, research) on the questions of the compatibility between green growth and poverty reduction strategies, the design and decisions on policies and incentives, and on opportunities to embrace green growth;
- assessing positive and negative impacts of green growth scenarios on poverty reduction and better management of policy trade-offs; and
- assessing changes needed in sector support in areas such as agriculture and infrastructure to make these more supportive of greening pro-poor growth strategies.

10. The objective of this work is to provide guidance for donors to assist partner countries to build their productive capacities and economic resilience in environmentally sustainable ways. Taking into account existing POVNET work which deepened and refined the growth concept in a development context, it will contribute a pro-poor dimension to green growth and establish links with other policy communities while providing insights from the developing countries, especially the LICs, on the development of plans and programmes.

11. There is also scope to work with ENVIRONET on producing joint outputs. This has already commenced with the secretariat of both POVNET and ENVIRONET coordinating a joint response to the OECD Green Growth Strategy.

d) Organisation

12. As a first step to realizing the objectives noted above, a scoping study will examine green growth strategies in developed and emerging economies and assess their potential impact on Poverty Reduction in

poorer developing countries and how these countries should respond. Work to appraise positive and negative impacts of green growth scenarios on the poor and on vulnerable and disadvantaged groups could start by mapping existing work and synthesising important messages. An outline of this proposed study is provided in the Annex. The aim is that this scoping study is twofold. It will provide POVNET and ENVIRONET with a prioritized set of policy areas on which to focus when developing their policy guidance outputs. It will also provide a substantive input for informing the development perspective in the Green Growth Strategy. While the Strategy itself will be presented to the OECD Ministerial Council in May 2011, there will be opportunities in working towards its operationalisation to further detail its implications, relevance and applicability for poor developing countries and poor people.

13. If there is sufficient interest and approval from POVNET delegates, a proposal will be put to ENVIRONET to establish a joint POVNET-ENVIRONET Task Team on Green Growth. This group would serve as a useful way to develop the green growth discussion across the DAC. In the short term the group will support the implementation of the scoping study and the contribution to the development dimension of the OECD Green Growth Strategy. The group will review the outputs of the scoping study when it reports in the summer and agree the priority work areas for the remainder of the biennium and decide on the appropriate products and working arrangement.

e) Issues for discussion / Next Steps

- Do you agree with the proposed approach for this workstream?
- Are you seeking particular guidance in the area of Green Growth and Poverty Reduction? Does this proposed approach provide this?
- How can we bring in a developing country perspective to this discussion?
- Would you or your agency be interested in joining an informal working group on Green Growth and Development?