

Discussion Paper

What drives institutions to adopt integrated development approaches?

The poverty-environment nexus and analysis of country evidence from the Poverty-Environment Initiative

In Partnership with United Nations Environment Programme

United Nations Development Programme

ENVIRONMENT AND ENERGY AND POVERTY REDUCTION



THE POVERTY-ENVIRONMENT NEXUS

Dear Colleagues,

In May 2009, the UNDP Evaluation Office conducted an evaluation of UNDP's Contribution to Environmental Management for Poverty Reduction: The Poverty-Environment Nexus. The evaluation builds from the widely recognized assertion that there is a profound connection between the poor and their reliance on environmental resources. Increasingly, the exacerbation of poverty and its multiple dimensions is resulting from a decline in environmental quality.

Findings from the evaluation highlighted that UNDP is highly aware of the importance of the poverty-environment nexus for sustainable development, but the "articulation of this awareness at all levels in the organization is uneven and somewhat haphazard." In this regard, the evaluation recommended that UNDP should learn from the lessons of the UNDP-UNEP Poverty Environment Initiative (PEI) as it represents good practice and serves as a model of how UNDP (programmatically), in partnership with other UN agencies, can integrate poverty and environmental priorities at the country level. In response to the evaluation and the recommendations of the Executive Board, UNDP is strengthening its efforts to more rigorously address the poverty-environment nexus.

The following report provides a foundation for these efforts and interestingly it shows that addressing the 'nexus' is not only about UNDP, but also about multiple institutions and their desire to bring change that will help to make human and sustainable development a central concern of development approaches.

UNDP brings its policy and programming approaches to support inclusive and green growth, which has at its core the poverty and environment nexus. The lessons contained in this report show that development contexts vary, institutional structures and capacities vary and therefore, supporting change is about multi-dimensional aspects of poverty, the environment and development policy planning.

However, while contexts vary the key lessons show that there are some principles which will help make institutions more capable to drive change towards more socially and environmentally inclusive outcomes. Most important is the need for continued long term engagement at the national level, working with central ministries and using complimentary approaches that link the economic and governance elements as high priority issues. For example, understanding and reducing the economic costs of unsustainable practices in natural resource sectors has policy and fiscal implications which will require engagement and coordination across a range of governance institutions.

In this year of Rio+20, the need for integrated solutions to development planning is seen as providing opportunities to make development more sustainable. The PEI has shown that there is potential to take the 'nexus' as a concept and make it a tangible development issue for national policy makers and in turn move towards improved policy implementation. We hope the lessons learnt in this report will be useful to UNDP colleagues and practitioners in other multi-lateral and bi-lateral agencies.

Olav Kjørven

Assistant Administrator and Director, Bureau for Development Policy
United Nations Development Programme

Background and context

The purpose of this briefing paper is to synthesize lessons learnt from the UNDP-UNEP Poverty Environment Initiative's (PEI) approach and its focus on promoting integrated approaches that enable the simultaneous achievement of poverty reduction and environmental improvement by strengthening the institutional framework for planning, policy-making, budgeting and reporting to deliver sustainable development. These lessons have important implications for UNDP on how it advances integrated approaches to sustainable development at the country level, driven by institutional changes that ultimately promote growth, equity and sustainability.

The PEI programmatic approach has been designed and redesigned with a view to incorporate findings related to policy formation, capacity development and good governance that promote integrated approaches. There is awareness that plans or procedures are not enough, that underlying political and bureaucratic motivations can promote or hinder change, that committed individuals with both power and interest are necessary and that the programme is dependent on an enabling environment. Furthermore, the PEI approach acknowledges that government and public opinion can change and that windows of opportunity may suddenly appear. Simultaneously, PEI strives to raise awareness, influence planning and budgets, and establish procedures that help institutionalize Poverty-Environment (PE) mainstreaming.

Drivers affecting integrated approaches at the country level

In order to understand what drives integrated approaches, it is important to understand what constrains them. Typical causes of environmental degradation in developing countries are market failures, weak institutions, low awareness of poverty-environment linkages, and lack of alternative livelihoods. Many problems occur when the interest for private profit competes with the interest for public wealth such as the fisherman's short-term incentive to fish that competes with society's long-term interest to maintain a sustainable fish stock. Weak governmental interest in environmental mainstreaming can be explained by the perception that the problems are secondary, solutions are not easily implemented and the people affected are marginalized. In addition, weak interest can also be the result of inadequate capacity to properly assess risks and opportunities, such as the failure to factor in social and economic implications of environmental degradation.



Photo: UN

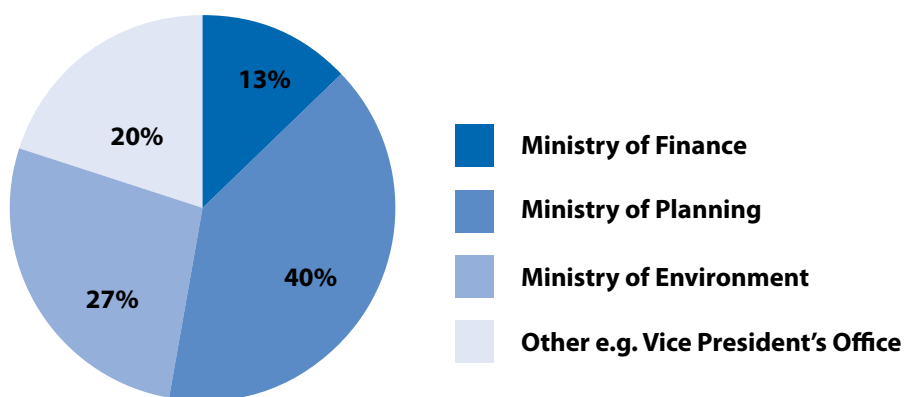
Policy makers typically respond to a problem when three criteria are met. First, the problem must be perceived as important enough to require action. Second, solutions must be seen as politically and bureaucratically feasible. And thirdly, a policy maker must be willing to engage in the change process. The policy context varies in different countries. In strong democracies, policy makers are generally sensitive to how large populations will respond to policy change. In less democratic countries, policy-makers are more sensitive to how strong interests groups, including government institutions, will respond.

Multilateral and bilateral agencies and banks, and OECD countries have attempted in various ways to stimulate the drivers for environmental management. Examples include financing environmental authorities, contributing to legislative frameworks, engaging in analytical work and making financing available through international multilateral agreements. Significant improvements in national capacity for environmental management have occurred such as the establishment of environmental authorities and legislative frameworks, as well as inclusion of environment as a cross-cutting theme in national development plans. However, while legislation, plans and established working procedures are necessary, they are not sufficient to establish conditions for successful mainstreaming. Implementation remains low in many countries.

The PEI approach to identifying the drivers of change

At the country level it has been found the Ministry of Planning is by far the most common host institution to promote PE mainstreaming activities. The organization of ministries differs and some countries have a joint ministry for finance and planning. Countries where PEI is hosted at the Ministry of Environment have been in the programme since the start, as this was originally the preferred set up.

Figure 1. Host institution of PEI in 15 countries¹



Drivers or underlying motivations for PE mainstreaming can refer to commitments made in policy documents, (e.g. Vision 2020, national development plans). Drivers can also come from pressing problems in the policy sphere, e.g. low agricultural productivity, or pressures from important stakeholders, e.g. energy intensive industry, donors or civil society. Often the drivers are either environment- or poverty- focused.

PEI makes use of various approaches to identify the underlying drivers and motivations for government to undertake PE mainstreaming. Key activities include preparation of the programme document, institutional analysis and working together in policy or planning processes.

Preparation of the programme document

Programme development requires close consultations with key ministries both individually and in groups. This provides opportunities to bring international and national experiences into the discussions and for stakeholders to share information, learn and negotiate on priorities for the programme. The programme preparation is usually accompanied by a scoping process that will often identify the key PE related development drivers.

¹ The following countries were used as case studies for this paper: Bangladesh, Bhutan, Burkina Faso, Kenya, Kyrgyzstan, Lao PDR, Malawi, Mali, Mauritania, Mozambique, Rwanda, Tajikistan, Tanzania, Uganda and Uruguay.

Case study 1. Mozambique – Mainstreaming cross-cutting issues in planning

About: An instrument for mainstreaming cross cutting issues² in national and provincial planning. All ministries are required by the Ministry of Planning and Development (MPD) to integrate cross cutting issues in the annual social and economic plan and a mainstreaming matrix has been developed to facilitate reporting. This is expected to lead to increased cross sector discussions on mainstreaming, which allows for awareness raising and learning between sectors.

Drivers: The Ministry for Planning and Development is responsible for the planning process and has the mandate to follow up on mainstreaming activities. The use of one tool for mainstreaming of several cross cutting issues can increase efficiency and meet greater acceptance from implementing ministries.

Process: The idea evolved in an informal meeting between Ministry of Planning and Development (MPD), the Ministry of Coordination of Environmental Affairs (MICOA) and PEI staff in 2009. PEI provided technical support to MPD technicians working on cross cutting issues to develop the tool. MPD has consulted internally and with sectors to improve the concept, and various training sessions have taken place to launch the instrument/matrix. PEI contributed to the development of training materials and also supported training in three provinces: Cabo Delgado, Zambezia and Gaza.

Mainstreaming cross-cutting issues became part of the regular planning process in 2011. However, far from all Ministries are reportedly using the matrix. Some lack of clarity remains in terms of relative responsibilities between MPD, cross-cutting ministries and implementing ministries. The capacity of cross cutting ministries to monitor mainstreaming in sectors is relatively weak, which may partly explain the gaps in implementation of the tool. Incentives for sector ministries to report on mainstreaming activities are insufficient.

Next steps: To improve the use of the mainstreaming instrument, MPD and PEI in collaboration with UNDP are currently working on a manual for mainstreaming cross cutting issues. MPD has also proposed to discuss the mainstreaming tool at the upcoming evaluation workshop that is held every year to learn from the planning process.

Lessons learned: Implementation is modest though reporting on mainstreaming of cross cutting issues is required, and the powerful Ministry of Planning and Development actively promotes the instrument. It takes time to introduce new procedures. Other possible explanations include unclear mandates between implementing ministries, cross-cutting ministries and MPD, weak political pressure on ministries to report on progress and weak ownership from the side of cross cutting ministries. Having the procedures in place is insufficient when institutional capacity is weak and political incentives are low. But improving them bit-by-bit can facilitate actions to reduce administrative lack of clarity and provide civil society and other constituencies advocating for cross cutting issues a tool for holding government accountable. Yet MICOA, the environmental ministry, is said to have managed to raise new funds for environmental sector related activities by referring to the matrix.

² Cross-cutting issues are gender, food security and nutrition, environment, rural development, natural disasters, demining, science and technology, and HIV/AIDS.

Institutional analysis

Institutional analysis includes mapping of the institutional context, stakeholders, responsibilities, legal frameworks, policies and plans of importance for PE mainstreaming. The analysis is government-led and generates cross-ministerial consultations at the technical level that stimulate dialogue and learning, helping to reveal the underlying drivers. It contributes to a common understanding of legal provisions, relevant objectives, and roles and responsibilities of various stakeholders.

Working together in policy and planning processes

PEI participates in various policy and planning processes at national, subnational and sector levels. Being part of sector working groups or subnational planning teams on a regular or ad hoc basis creates opportunities for consultations, information sharing and building trust. Financing and contributing to analytical studies connected to specific planning or policy processes allows for PEI to work together with government and its partners and learn about priorities and drivers.

Lessons learned

The PEI experience suggests that linking PE mainstreaming to high priority policy issues like economic growth, job creation or poverty reduction is the preferred strategy. These higher level policy objectives

like economic development and job creation are better anchored in national development plans and in the policy sphere. It is typically through key sectors like agriculture and energy where the strongest links between PE mainstreaming and high priority issues like economic growth exist. However, there are other drivers such as climate change, natural resources management and safeguards on FDI inflows. Identifying organizational counterparts and individuals is therefore also part of the identification process in PEI activities.

PEI has recognized the need for greater attention to the political economy - Institutional analysis does not sufficiently encompass political economy issues e.g. identification of winners and losers in the current state or attitudes to reform. These are sensitive issues that may not be feasible to include fully in the analysis. Understanding these can help improve programme focus and activities.



Photo: UNDP

The PEI approach to strengthening the drivers of change

Strengthening the drivers is largely done through the use of various tools, such as expenditure reviews. This is more effective by increasing the capacity within government to understand and assess opportunities for PE mainstreaming. Raising awareness and capacity outside of government is another compatible approach.

Strengthening drivers from within government

To raise awareness and strengthen government drivers for PE mainstreaming, PEI contributes financially and technically to analytical work, promotes cross government working groups and participates in planning and policy processes where national and international experiences are brought into the discussions.

INTEGRATED DEVELOPMENT APPROACHES

PEI places emphasis on making the economic case for integrated policy, focusing on pertinent issues that are relevant for poverty-environment outcomes, for which there is a genuine interest and that are linked to an ongoing policy process. In almost all countries the PEI is at some level involved in the monitoring of PE outcomes of policy implementation.

Strengthening drivers outside of government

To a lesser extent, PEI also targets stakeholders outside of government in order to raise awareness and demand for PE mainstreaming, but also to listen to their views. This is done by making PE information broadly accessible, for example awareness through meetings with stakeholders like parliamentarians and donors. Other outreach activities include training journalists producing policy briefs, and stimulating media coverage via press releases.

Lessons learned

Analytic work that focuses on relevant ministries results in a greater willingness to work together, share and learn.

Focusing on their areas of interest and seeking to improve outcomes by integrating PE issues is a motivating factor. A strong driver occurs where sector ministries see that PE mainstreaming can realistically motivate higher budget allocation for their ministry. Framing and discussing poverty-environment aspects in terms of how these issues impact policy objectives like economic growth, food security or job creation has several benefits. It generates more interest and can help reduce many negative perceptions of environment sustainability as largely being a constraint to development driven by international interests.

Economic evidence can help attract the interest of policy makers. Nevertheless, political and bureaucratic aspects are often more important than economic efficiency. Those who stand to lose from a policy reform are generally likely to raise their voices even more than those who would benefit.

A stronger tax base might have to wait

Fiscal reforms generally meet strong resistance in countries across the world. Introduction of environmentally-related fiscal reforms or other types of economic policy instruments face similar challenges. Ensuring proper pricing and collection of natural resource rents and taxing negative environmental actions, e.g. taxing emissions can generate much needed fiscal revenues, a high government priority in PEI countries. PEI has therefore undertaken studies on environmental fiscal reforms in several countries. So far, the political interest on introducing such reforms has been low. PEI needs to balance analysis that can help broaden the horizon of policy options in the longer term with analysis and solutions that are politically and bureaucratically implementable in the shorter term.

It takes time to build trust. The ability to participate persistently in processes and meet with people over time is important if new ideas and perspectives are to gain ground. PEI has mainly worked with strengthening ministerial drivers for PE mainstreaming. An enabling environment such as informed public and good governance could significantly improve outcomes. Transparent reporting on PE indicators allows for government and non-government stakeholders to hold ministries to account.

Case study 2. Nepal Climate Public Institutional Expenditure Review (CPIER) 2011

About: A review of the financial management systems, institutional arrangements and policy directives for allocating and spending related to climate change. The study helps to answer key questions: What is the baseline for climate change expenditures? How can national coordination on climate change be strengthened? How can the monitoring system be improved? This is probably the first finalized climate expenditure review in the world.

Drivers: Nepal is vulnerable to climate change. The international debate on climate change and carbon finance has created an interest, not least within the National Planning Commission, to attract carbon finance. Tracking expenditures and strengthening systems are important steps for identifying investment gaps and attracting carbon finance.

Process: PEI responded to Government interest. Through UNDP, PEI was also able to access financial resources dedicated for cross practice work. PEI worked with staff from the UNDP governance and environment teams, undertook joint missions and drafted ToRs together with national counterparts. International experts on expenditure tracking worked together with national experts from the planning commission and various ministries. UNDP and PEI provided technical support. When the report was finalized in November 2011 a decision was made to establish a Climate Finance Working Group. The working group is coordinated by the National Planning Commission and also includes the Ministry of Finance, Ministry of Environment, Ministry of Forestry and Soil Conservation, and Ministry of Local Development. PEI's advisor in the National Planning Commission is providing logistical backup to the team.

Next steps: In March 2012 a decision was made to use budget codes for climate expenditures in this year's budget. PEI has been requested to organize a training session for planning officers within ministries on this budget coding.

The approach has been a novelty and attracted a lot of attention from countries and organizations. PEI has undertaken a similar CPEIR in Bangladesh. UNDP has been requested to help undertake CPIERs in Cambodia, Indonesia, Thailand and Samoa. UNEP is sharing the results with its networks of climate negotiators. DFID is funding similar studies in three African countries. OECD, World Bank, EC, and Asian Development Bank are other interested partners. The World Bank Poverty reduction and economic management network (PREM) is now producing a source-book on climate expenditure reviews together with UNDP and others.

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