Mainstreaming the Environment and Climate Change to reduce Poverty: A Handbook for strengthening planning and budgeting processes

Annotated Outline

Chapter 1   **INTRODUCTION: ABOUT THE HANDBOOK**

The introduction will focus on what has changed since the last version of the Handbook in terms of the rise of the SDG's, green economy/green growth and greater urgency to address climate change, the continuing increased pressure on natural resources in further exacerbating poverty-environment-climate relationships, what PEI has learned in terms of the importance of engaging with meaningful planning processes and why integrating poverty-environment-climate objectives into budgeting processes matter. It will mention the range of mainstreaming programmes underway that could benefit from the handbook. For example, the second phase of PEI, PAGE, WAVES, GGGI mainstreaming, and the National Adaptation Plan (NAP) process of the UNFCCC. The relevance of PEI experiences and lessons learned to operationalize Rio+20 outcomes will also be mentioned.

1.1   Purpose

The Handbook is designed as guidance for policy-makers and practitioners to integrate poverty-environment-climate objectives into development policies, plans, budgets and implementation programmes – at the national, sub-national, and sectoral level. This integration is referred to as "poverty-environment-climate mainstreaming." It is a multi-year, multi-stakeholder effort grounded in the contribution of the environment and natural resources to human well-being and pro-poor economic growth.

The Handbook supports a programmatic approach to poverty-environment-climate mainstreaming – one that is coherent but flexible, allowing it to be adapted to national circumstances to guide the choice of activities, tactics, methodologies and tools to address specific country situations. This approach has been developed by the Poverty-Environment Initiative (PEI), a joint collaboration between the United Nations Development Programme (UNDP) and the United Nations Environment Programme (UNEP). The approach is largely based on the PEI experience in supporting governments around the world mainstream poverty-environment-climate objectives in development planning and budgeting processes, as well as selected experiences from other development actors, particularly members of the Poverty Environment Partnership.

1.2   Target Audience

The target audience for the handbook consists primarily of practitioners at the national and subnational (regional, district, municipality) levels, and champions of the mainstreaming process.

- Practitioners include stakeholders from the government (head of state's office, environment, finance and planning bodies, sector and subnational bodies, political parties and parliament, national statistics office and judicial systems), non-governmental actors (civil society, academia, business and industry, the general public and local communities, and the media) and development actors in the environment, development and poverty reduction fields, including donors and environment/development think-tank organisations.

- Champions are practitioners who take on the role of advocating for the integration of poverty-environment considerations into development planning at national, sector and subnational levels. These include high-level decision-makers and government officials

who serve as ambassadors for poverty-environment mainstreaming.

Stakeholders are important since their engagement enhances planning, implementation and delivery and needs to occur throughout, from inception through policy development, implementation and monitoring. Particular attention needs to be paid to ensuring the inclusion of the poor – especially the rural poor - women, and other marginalized groups.

A range of programmes that support poverty-environment-climate mainstreaming, including the Partnership for Action on Green Economy (PAGE), Wealth Accounting and the Valuation of Ecosystem Service (WAVES), the Global Green Growth Institute (GGGI), and the National Adaptation Plan (NAP) process of the UNFCCC could benefit from this Handbook.

1.3   **Structure of the Handbook**

The handbook's chapters are organized as follows:

Chapter 2: Why Mainstreaming Poverty-Environment-Climate Concerns Matter
This chapter introduces poverty-environment-climate linkages with some salient data to remind the reader of the urgency and importance of mainstreaming poverty-environment-climate objectives into planning and budgeting processes. The chapter then describes key concepts related to understanding poverty-environment-climate linkages, including the contribution of the environment and natural resources to human well-being, pro-poor economic growth and the transition to an inclusive, green economy.

Chapter 3: Politics of Mainstreaming
This chapter introduces the PEI programmatic approach to poverty-environment-climate mainstreaming, with a brief description of each of the three components – Finding the Entry Points and Making the Case, Mainstreaming Poverty-Environment Objectives into Policy Processes, and Meeting the Implementation Challenge. The chapter further elaborates on finding the right entry points and making the case which sets the stage for poverty-environment-climate mainstreaming. It will conclude with a brief discussion on overcoming the mainstreaming fatigue as this appears to pose a challenge in many countries.

Chapter 4: Mainstreaming into Planning Processes
This chapter describes how to integrate poverty-environment-climate objectives into planning processes.

Chapter 5: Mainstreaming into Budgeting Processes
This chapter highlights the approach for budgeting and financing for poverty-environment-climate mainstreaming, which includes engaging in the budgeting process at various levels and improving the contribution of the environment and natural resources to public finances. The chapter also highlights ways budgets actually work and how PEI has contributed to budget circulars and assessments of public investment programmes.

Chapter 6: Mainstreaming into Sector Strategies and Sub-national Planning
This chapter focuses on issues of governance and how centralized or decentralized systems of governance affect the responses to mainstreaming from national to local level. It examines the approach for incorporating pro-poor environmental measures in sector strategies. It also includes sector relevant tools and examples. It then provides an assessment of why local government matters and the different regulatory, planning and service delivery functions of local government, and highlights how mainstreaming at the sub-national level could be undertaken. It concludes with the view of mainstreaming into area based development approaches and tools that can be applied.

Chapter 2   WHY MAINSTREAMING POVERTY-ENVIRONMENT-CLIMATE CONCERNS MATTER
This chapter will introduce poverty-environment-climate linkages with some salient data to remind the reader of the urgency and importance of the mainstreaming approach. The Theory of Change which shapes the PEI programmatic approach will be introduced here. The chapter will then describe key concepts related to understanding poverty-environment-climate linkages, including the contribution of the environment and natural resources to human well-being, pro-poor economic growth and the transition to an inclusive, green economy.

2.1   **The Significance of Poverty-Environment-Climate Linkages for Achieving National Development Goals**

Despite progress made by governments towards achieving national development goals, absolute poverty remains high in many developing countries with a majority of the populations depending on natural resources for all or part of their livelihoods. At the same time, climate change continues to exacerbate existing economic, political and humanitarian stresses that impede sustainable human development. Environmental conditions and access to natural resources are intimately linked to people's livelihoods, health and vulnerability, especially for people living in poverty. Expanded public and private investment to improve the poor's access to environment and natural resources can generate strong returns for poverty reduction and contribute to pro-poor growth. Sustainable management of environment and natural resources for improved human well-being requires poverty-environment-climate objectives to be embedded in policies that influence productive sectors of the economy, as well as national development planning frameworks and budgets, institutions, governance and market-based mechanisms. This integration of poverty-environment and climate objectives is also instrumental to promoting development that is sustainable and climate-resilient. PEI has been in the vanguard of efforts by governments to integrate poverty-environment-climate objectives into national development planning processes – such as PRSPs, national budget processes and sector wide or sub-national implementation programmes. Building on over a decade of experience, it has accumulated a wealth of experience and lessons learned.

PEI's programmatic approach is shaped by a "theory of change." The key desired impact (change) of PEI at the country level is that livelihoods are improved and natural resources management is more sustainable. This impact (change) is aimed to be brought about by

government policies and budgets making pro-poor sustainable natural resource use a higher priority and operationalizing those policies and budgets. Further, by convincing in-country donors that poverty-environment mainstreaming should be a higher priority in their public sector budget allocations and private sector investment frameworks.

2.2 Interactions between Multidimensional Poverty, Environment and Climate Change

Poverty is often defined by one-dimensional measures, such as income. However, no single indicator alone can capture the multiple aspects that constitute poverty. Poverty is multidimensional and is made up of several factors that constitute poor people's experience of deprivation – such as inadequate living standards, lack of access to clean safe drinking water, sanitation and electricity, poor health, lack of income (as one of several factors considered), and disempowerment. The linkages between multidimensional poverty, environment and climate change can be conceptualized in many ways, notably in terms of their relationship to livelihoods, resilience to environmental risks, health and economic development.

Livelihoods: Poor people depend on the environment and natural resources to earn incomes in sectors such as agriculture, fishing, forestry and tourism, through both formal and informal markets. Livelihoods can be sustainable or not, depending on the way the environment and natural resources are managed.

Resilience to environmental risks: Poor people are more vulnerable to natural disasters such as floods and droughts, the effects of climate change and other environmental shocks that threaten their livelihoods and undermine food security. Improving the ways in which environmental resources, such as forests, are managed increases the resilience of poor people and their livelihoods to environmental risks.

Health: Environmental conditions account for a significant portion of health risks to poor people. Environmental risk factors, such as occupational exposures to chemicals and indoor air pollution from household solid fuel use, play a role in more than 80 percent of the diseases regularly reported on by the World Health Organization. Globally, nearly a quarter of all deaths and of the world's total disease burden can be attributed to the environment. Better environmental conditions could contribute to improved health and in turn lead to improvements in livelihoods, economic development, and resilience to environmental risks. The sustainable management of chemicals is an important aspect for poverty-environment efforts given the predominant role played by agriculture and the extractive industries in the GDP of the poor in developing countries.

Economic Development: Environmental quality contributes directly and indirectly to economic development and employment. These contributions are particularly important in developing countries in such sectors as agriculture, energy, forestry, fisheries and tourism.

Poverty-environment-climate linkages are dynamic and context specific, reflecting geographic location, scale and the economic, social and cultural characteristics of individuals, households and social groups. Gender is a key factor in influencing these linkages as women are far more likely to be negatively impacted by environmental degradation, and are significantly more vulnerable to the impacts of climate change.

2.3 The Importance of Natural Capital

The role of natural capital in the wealth of nations, particularly in low-income countries, is an important aspect of the contribution of the environment to human well-being and pro-poor economic growth. Natural resources, particularly agricultural land, subsoil minerals

and timber, and other forest resources, make up a relatively larger share of the national wealth in less developed economies (World Bank 2006). Low-income countries are consequently more dependent on their natural resources for their well-being. See table below.

Distribution of National Wealth by Type of Capital and Income Group

Income Group	Natural Capital		Produced Capital		Intangible Capita		Total
	$ per capita	% share	$ per capita	% share	$ per capita	% share	
Low-income countries	1,925	26	1,174	16	4,434	59	7,532
Mid-income countries	3,496	13	5,347	19	18,773	68	27,616
High-income OECD	9,531	2	76,193	17	353,339	80	439,063
World	4,011	4	16,850	18	74,998	78	95,860

Notes: All dollars are at nominal exchange rates. Oil States are excluded. OECD: Organisation for Economic Co-operation and Development.

Decision-makers should bear in mind the importance of environmental quality and natural resources as capital assets that can be maintained or enhanced through sound management or depleted through mismanagement. Thus, considering ways to optimize the management and the use of environmental assets need to be an integral part of national development planning. The central importance of natural capital in most developing economies points to the challenging nature of mainstreaming poverty-environment objectives, given the high economic and political stakes and the often conflicting priorities of various stakeholders concerning access, use and control of environmental assets.

The goal of poverty-environment mainstreaming is therefore to lift people out of poverty and achieve other national development goals through the more sustainable use of environment and natural resources.

Chapter 3   POLITICS OF MAINSTREAMING
This chapter will introduce the PEI programmatic approach and will further elaborate on the theory of change and the importance of participatory stakeholder engagement. This will be followed by a discussion on finding the right entry points and making the case which sets the stage for poverty-environment-climate mainstreaming. It will cover Preliminary Assessments; Identifying and Understanding the Poor; Understanding the Governmental, Institutional and Political Contexts; Assessing and Strengthening Mainstreaming Capacities; Raising Awareness and Building Partnerships; and Establishing Working Mechanisms for Sustained Mainstreaming. This sub-section on finding the entry points will be followed by a brief discussion on overcoming the mainstreaming fatigue as this appears to pose a challenge in many countries.

3.1   **A Programmatic Approach for Poverty-Environment-Climate Mainstreaming**

The aim of poverty-environment mainstreaming is to reduce poverty through integrating country specific poverty-environment objectives into the core business of government, in particular into national development, sectoral, and subnational planning and investment. This handbook offers practitioners a *programmatic approach* to mainstreaming developed by PEI to help them identify the best analysis, activities, methods and tools to get the desired results in a specific country context.

The programmatic approach is shaped by a "theory of change" – a methodology to set out the process by which to bring about the desired improvements in poverty-environment indicators at the country level. For example, as an enabling programme, with limited budget, PEI does not have direct influence on the amount of money invested in soil erosion control. Rather, PEI seeks to generate impact through increasing the policy priorities, practice and budgetary allocations of governments, donor and private sector investors such that increased resources are invested towards the achievement of poverty-environment objectives. The theory of change approach is particularly applicable to complex policy processes like poverty-environment mainstreaming, which is a cross-government, multi-sector process.To apply a theory of change approach at the country level requires a very good understanding of country level development planning processes, institutions, decision-makers, political-economy and poverty-environment issues.

The programmatic approach has been developed and refined since PEI began in 2005 based on practical experiences from throughout the world. Successive external evaluations, feedback from stakeholders, and internal adaptive management processes have contributed to this ongoing refinement.

Result hierarchy of P-E mainstreaming (PEI, 2013)
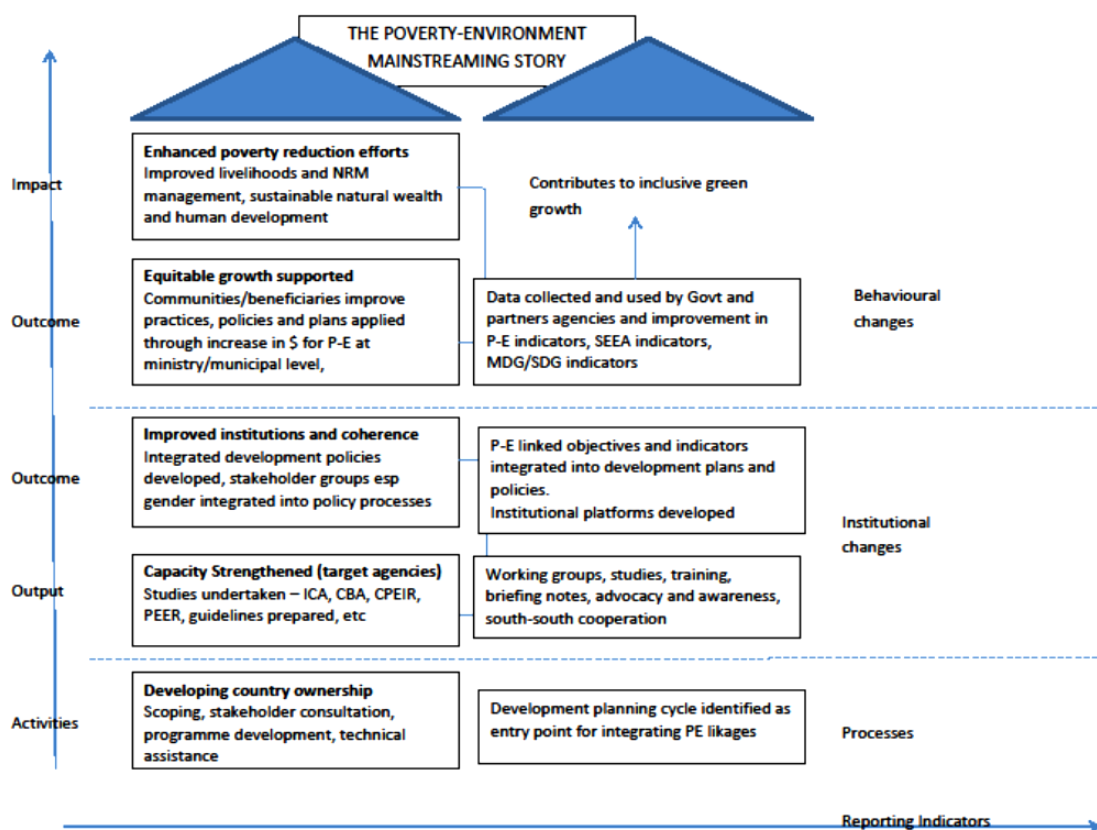
The approach comprises the following components, not necessarily sequential, rather pragmatically implemented, and iterative, according to the national context:

<u>Component 1: Priority setting, finding the entry points and making the case</u>
This component sets the stage for mainstreaming, focusing on activities designed to help countries identify desirable pro-poor environmental outcomes and entry points into the development planning process as well as those aimed at making a strong case for the importance of poverty-environment mainstreaming. Activities include:
- Carrying out preliminary assessments.
- Identifying and understanding the poor.
- Raising awareness and building partnerships.
- Evaluating institutions and capacities.
- Setting up working mechanisms.

<u>Component 2: Mainstreaming PE linkages into policy processes</u>
This component is focused on integrating poverty-environment linkages into a previously identified and on-going policy process, such as a national development plan, budget, climate change adaptation strategy, or sector strategy, based on country-specific evidence. Activities build on previous work, especially preliminary assessments, awareness-raising and partnership-building. Activities include:
- Collecting country-specific evidence.
- Influencing policy processes.
- Developing and costing policy measures.
- Strengthening institutions and capacities.

<u>Component 3: Meeting the implementation challenge</u>
This component focuses on operationalizing poverty-environment mainstreaming through engagement in budgeting, implementation and monitoring processes. These activities are aimed at ensuring that poverty-environment mainstreaming becomes established as standard practice within the country, requiring specific institutional and capacities be put in place. Activities include:
- Integrating poverty-environment linkages into the national monitoring system.
- Budgeting for and financing poverty-environment mainstreaming.
- Supporting policy measures at national, sector and subnational levels.
- Strengthening institutions and capacities.

Using this approach can help in prioritizing mainstreaming efforts in a specific national context and seeing more clearly how different activities and tactics can be combined to achieve intended outcomes at different stages in the design or implementation of development planning. The approach embodies a strong focus on understanding how sustainable environment and natural resources management helps achieve development goals, including poverty reduction and food security, and how to maximise the effectiveness of the efforts of key actors and champions seeking to deliver mainstreaming.

This programmatic approach should be considered a *flexible model* to help guide the choice of activities, tactics, methodologies and tools in a particular country situation. Depending on the context and collective progress made to date with respect to poverty-environment mainstreaming in the country, some activities might be implemented in an accelerated manner or skipped; their sequence is not rigid either. Each component builds on previous activities and work carried out in the country. The process is iterative, with many interconnections between activities. It is also adaptive where ongoing monitoring of progress and opportunities can lead to adapting the programme to respond to challenges and opportunities.

<u>Participatory Stakeholder Engagement:</u>

Successful mainstreaming requires the engagement of many stakeholders, encompassing government and non-governmental actors and the broader development community operating in the country. Focusing on the pro-poor environmental outcomes to be achieved, a mainstreaming effort should be based on careful analysis and an understanding of the roles of different stakeholders in the country's development processes and how to best complement them. This includes awareness of the fact that stakeholders have different interests and that some may not be as supportive as others of poverty-environment mainstreaming, improved environment and natural resources management and pro-poor reforms. It is critical to understand what motivates various stakeholders and determine how to craft appropriate arguments that will appeal to different interests.

In particular, successful poverty-environment interventions require, first and foremost, a comprehensive understanding of the country's development planning processes, institutions and decision-makers. Secondly, it requires an understanding of the main poverty-environment issues in the country and their impact, including in disaggregated terms.

In order to correctly identify and understand the target group for mainstreaming efforts, some form of poverty assessment is required (including Poverty and Social Impact Analysis – PSIA, and Poverty Impact Assessment – PIA). Also, deliberate efforts need to be made in order to ensure the empowerment and inclusion of the poor, including marginalized groups such as women, minorities, and indigenous peoples into the development process.

Mainstreaming *gender* as part of poverty-environment mainstreaming helps improve the efficiency, efficacy and long-term sustainability of poverty-environment objectives. Strong evidence demonstrates that promoting gender equality and investing in resources to increase the opportunities for and participation of women and girls results in progress across all MDGs[1]. For example, countries where women lack rights to land have on average 60% more malnourished children. PEI has elaborated a Guidance Note on gender mainstreaming to help practitioners apply this approach in their work.

The mainstreaming effort entails the cooperation of many *government actors*, each of which raises significant opportunities, and challenges, throughout the process. An early and crucial decision in the process is determining which government agency will lead the mainstreaming effort. Because of the close relationship between poverty-environment mainstreaming and national development planning, it is recommended that the ministry responsible for national development planning take the lead role in the mainstreaming effort. Country-level experience from PEI indicates that the Ministry of Finance or Planning is an especially effective host institution to promote poverty-environment mainstreaming activities, while ensuring close links with the Ministry of Environment and all other relevant line ministries such as Agriculture, Energy, Transport and others.

Non-governmental actors and wider civil society can also play a key role in advancing the integration of poverty-environment objectives into development planning.

Mainstreaming at the country level needs to be fully integrated with the existing efforts of the *UN and the wider development community*, and any coordination arrangements in place. It is also important to ensure that mainstreaming efforts are embedded in existing donor coordination mechanisms. This includes engaging with relevant *donor groups* and individual donors to ensure that mainstreaming operations are in line with the agreed harmonization, alignment and coordination principles for the country.

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[1] United Nations Development Programme (2010).*The Path to Achieving the Millennium Development Goals: A Synthesis of Evidence from Around the World*. United Nations Development Programme.

Involving a fully inclusive set of stakeholders in priority-setting, discussion of policy options, and design of implementation results in more focused targets, better design of measures, greater societal acceptance, and heightened ownership of eventual programming, all of which are shown by experience to increase the chances of success and also lower the eventual, overall costs of implementation.

3.2 Finding the Entry Points and Making the Case

Typically, policy makers 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 third, a policy maker must be willing to engage in the change process. This section focuses on ensuring those three criteria are met: how to find the entry points and make the case.

Preliminary Assessments: Understanding the Poverty-Environment Linkages:
Typically, the first step of a poverty-environment mainstreaming effort is to undertake a preliminary assessment of the country's environmental and socio-economic situation. The objective is to determine the nature of poverty-environment linkages in the country, to define pro-poor environment and natural resources priorities on which to focus the poverty-environment mainstreaming effort and to develop arguments to make the case for such an initiative. Through this assessment, the actors engaged in the mainstreaming initiative begin to refine their understanding—from the perspective of their own sector or subnational organization—of the country's environment and natural resources challenges, poverty-environment linkages and the relevance of these to national priorities. The preliminary assessments carried out should remain relatively limited in scope, depth and time frame, allowing the government to achieve in the short term the objectives of finding the entry points, raising awareness and making the case. Later in the mainstreaming effort, the preliminary assessments will be complemented by extensive analytical work aimed at influencing the policy process at stake.

An understanding of poverty-environment linkages and how to influence policy requires a strong focus on two issues in addition to the conventional assessment of the state of the environment. The first is the identification and understanding of the poor and their interdependence upon the environment and natural resources. It is important to capture here gender differences in the relationship to the environment and natural resources. The second is an understanding of the political, economic and institutional landscape in which policy makers operate. Note that certain elements of the environment, e.g. air and water quality, may affect broader segments of the population than just the poor and therefore be potentially easier to mobilize support around.

Preliminary assessments of poverty-environment linkages can be largely based on existing information. Typically, a significant body of information can be sourced through previously conducted surveys and reports commissioned by government and especially by donors, including the following elements: State of the environment, socio-economic situation and poverty assessments, poverty-environment linkages, pro-poor sustainable development outcomes, and benefits and costs of action and inaction.

Identifying and Understanding the Poor:
The identification and understanding of the poor and their interdependence upon the environment and natural resources is a pre-requisite for poverty-environment mainstreaming. Specific analysis is required in order to ensure a thorough understanding in order to form the basis for mainstreaming efforts. Furthermore, this analysis should be disaggregated to take account and shed light on differences according to gender, age, ethnicity, urban/rural, and other variables so that development interventions adequately address the needs of different social groups. There are several methodologies used to identify and understand the poor, including income poverty assessments through

household surveys, participatory survey techniques and assessments, and multidimensional poverty assessments although this does not currently measure environment and natural resource impacts.

Understanding the Governmental, Institutional and Political Contexts:
The preliminary assessments also entail looking at the governmental, institutional and political contexts in the country (see table below), sometimes known as Institutional and Context Analysis (ICA). This assessment helps develop a thorough, shared understanding of the situation, which in turn provides the basis for finding the most effective entry points for mainstreaming poverty-environment linkages in national development planning. It also enables countries to identify potential partners and champions for poverty-environment mainstreaming.

Components in Governmental, Institutional and Political Contexts

Governmental: Cabinet, Head of government, Ministers, Parliament
Political: Parties, Transparency, Accountability, Corruption controls, Power struggles
Institutional: Ministries, Legislative & judicial systems, Processes, Mandates
Additional: Civil Society participation

The assessment begins with identifying and understanding the various processes, institutions, actors, mandates, existing policies and other factors that affect the poverty-environment mainstreaming effort.

- Planning processes: Understanding the planning processes that shape a country's development and environmental priorities is a vital aspect of the assessment. Relevant processes might include strategies (PRSPs, national sustainable development strategies, sector strategies), action plans (national environmental action plans, national adaptation programmes of action) and budget processes (medium-term expenditure framework, expenditure review).
- Institutions and actors: Also vital in the assessment is identifying the various institutions and actors in government, the non-governmental sector and the broader development community. Identifying partners that can provide technical, financial and political support to the mainstreaming effort is crucial.
- Existing policies and initiatives: It is important to take stock of major existing national and sector (e.g. agriculture, health, trade, education, industrial development, cleaner production and environment) development policies, programmes and projects, NAPAs and other climate change-related initiatives that are relevant to the poverty-environment mainstreaming effort, and to identify possible conflicting priorities.
- Governance and political situation: Natural resources typically are important sources of national wealth, and different institutions and actors often have conflicting priorities concerning access to or control of their use. It is critical to be aware of and understand the political factors that may affect the mainstreaming effort either positively or negatively.

The UNDP ICA methodology can be used to understand the governance and political context better and thereby to develop a mainstreaming approach more effectively. It provides an insight into the incentives affecting political actors potentially involved in poverty-environment mainstreaming.

Assessing and Strengthening Mainstreaming Capacities:
Several tools and approaches are available to identify and strengthen a country's functional and technical capacities for poverty-environment mainstreaming at the individual, institutional, and enabling system levels.

The OECD has developed a framework for assessing capacity development needs in the context of mainstreaming drawing on current knowledge and best practice for capacity development. This involves five key steps, taking account of the relevant political and institutional context and the range of governmental and non-governmental actors involved (OECD 2012). 1) Assess the political and institutional context, 2) Identify key actors and their capacity development needs, 3) Identify opportunities to shape organizational incentives, 4) Identify awareness and knowledge needs and existing analytical tools, 5) Identify options for policy response.

The approach should focus on both functional and technical capacities and needs outlined in at the level of organizations—notably the environment, planning, finance and key sector and social ministries, as well as relevant civil society and private entities. For example, the capacity within a country to adapt to impacts of climate change should be assessed by examining the capacities within and across a variety of institutions, the level of information and resources available, the political will to address the problem and the knowledge of potential risks. Institutions and capacities should also be assessed in relation to future activities of the mainstreaming process, including participatory engagement, analysis and visioning, policy formulation, operational management and poverty-environment monitoring.

Initially, the needs assessment should build on the preliminary assessments of the poverty-environment linkages and the governmental, institutional and political contexts. It should also rely on existing institutional and capacity needs, as well as any existing environmentally focused and related poverty reduction institutional strengthening programmes. Based on this initial review, additional targeted assessments may be carried out as needed, with special attention to the environment, finance and planning bodies.

Raising Awareness and Building Partnerships:
A well-thought out communications strategy is necessary for a host of reasons, including to disseminate and "translate" the results of poverty-environment tools and assessments to a wider audience and into more accessible language.

Framing the environment as an economic and social asset, rather than a cost, and linking poverty and environment in meaningful ways and using economic language and parameters, are keys to successful mainstreaming. A communications strategy should contain an initial outline of the following elements of the communications "mix":
- Overall objective of poverty-environment mainstreaming effort, focused on specific process, for example: "increase budgetary allocations for poverty-environment linkages in national plans and budgets;
- Principal target audience for communications, those from whom a required response is needed to achieve the objective, for example: "key decision-makers in budget round process";
- Secondary target audience to influence the identified process indirectly, for example: "relevant line ministries, development partners, and shaping public opinion through the media";
- Key message/s to convey the evidence, for example: "investing in sustainable agriculture and soil conservation measures will boost productivity by x%, earn an additional x million dollars in export income, and lift x million people out of poverty";
- Tools and products required to convey the messaging, for example: "policy briefs on economic assessment of un/sustainable natural resource use, factsheets on poverty-environment linkages, radio programmes, TV appearances, Poverty-Environment Champions, etc.", with costings.

Economic studies already provide a solid basis on which to build the messaging and awareness-raising — within the government and among non-governmental actors, the general public and the development community at large. Messages, implications, and opportunities arising from the application of subsequent tools will also form a part of the communications outreach. The objective here is to build national consensus and commitment, and partnerships for mainstreaming.

The approach to raising awareness and building partnerships is based on sharing the findings of economic studies. Outlets for sharing of information and advocacy for poverty-environment issues include different government stakeholders, parliamentarians and national assemblies, development partners, including civil society and donor governments, and the general public via the national and local media.

Sharing the Findings of Economic Studies and other Tools
Findings of Economic studies should be disseminated broadly within the government, including to the head of state's office, environment, finance and planning bodies, sector and subnational bodies, political parties and parliament, national statistics office and judicial system. National workshops or consultations can be held to raise awareness among various audiences, including civil society, academia, business and industry, the general public and local communities, and the media, as well as government actors. Another effective method of raising awareness is to organize field visits illustrating the importance of poverty-environment linkages. Exchange programmes with neighbouring countries that have experience with successful mainstreaming can also be a useful approach.

Involving the Media
The involvement of the media often deserves special attention, and advantage can be gained from a specific approach designed to increase journalists' knowledge of poverty-environment linkages and to encourage them to report on poverty-environment issues. The mass media (press, radio and television) can be effective tools in reaching out to target audiences, including communities at the grass-roots level. Gender should be considered when developing the messages delivered in order to communicate them through the most appropriate and culturally sensitive channels. Country experiences demonstrate the importance of the media in raising awareness of poverty-environment issues. Following the initial involvement of the media, their engagement needs to be maintained throughout the mainstreaming effort, for example through regular press releases and radio programmes, making connections with Poverty-Environment Champions, and briefings.

Involving Potential Partners
A successful, sustained poverty-environment mainstreaming effort also requires partnerships with the development community, including international funding institutions, multilateral and bilateral donors, and international and national NGOs. Partnerships with development actors are important for their substantive contributions and for generating joint initiatives and leveraging in-country funding for mainstreaming. In building partnerships, it is critical to go beyond simply informing the various stakeholders. Special efforts should be made to cultivate the attention of potential partners, using arguments that are targeted to the specific partners and to their particular interests in order to make the case for mainstreaming. The information developed in the preliminary assessments of poverty-environment linkages should be helpful in this regard.

Establishing Working Mechanisms for Sustained Mainstreaming:
The objective of this activity is to enable the environmental institutions and the finance and planning ministries to engage effectively with each other and with key sector ministries, subnational bodies, non-governmental stakeholders and the development community. This activity involves clarifying the roles and responsibilities of the various

government institutions and other actors, and defining institutional and management arrangements for continuation of the effort.

3.3 Overcoming the Mainstreaming Fatigue

(Needs elaboration)

Chapter 4   MAINSTREAMING INTO PLANNING PROCESSES
This chapter will describe how to integrate poverty-environment-climate objectives into planning processes.

4.1   Understanding Planning Processes

Most countries have some form of planning process to determine national political and economic priorities. This may take the form of a political manifesto of a party prior to election or a government action plan after an election has taken place. At a more technical level, this may take the form of a national development plan, which may be a five year plan or over an even longer period. The challenge with these plans is to what extent they are really translated into public expenditures through the budget process and are linked to sectoral and subnational economic decision-making through sector strategies and subnational planning. To address the latter issue, some national planning process involve elaborate bottom-up planning which brings together sectoral and subnational priorities.

4.2   Planning as an Institutional Process

Planning as a government function was at its height with the planned economies of socialist countries, but many developing countries still have Planning Ministries or Commissions which may be responsible for large capital expenditures, such as infrastructure through the Public Investment Programme (PIP). In most OECD countries where the private sector plays a larger role than in some LDCs, the planning function of government has been reduced or merged with the Ministry of Finance or other parts of government. In countries where separate Planning and Finance Ministries continue, this may be a source of institutional tension and in some cases Planning Ministries have lost power as Ministries of Finance become stronger. For those who favor a separate planning Ministry, the argument is that the Ministry of Finance may stress a short term focus on managing macro-economic indicators, without the benefit of a longer term view on economic and political trends that a Planning Ministry can provide. This longer term perspective of a Planning Ministry can also mean that Planning Ministries are more likely to take account of the longer term threats created by environment and climate challenges. This is illustrated by both China and India, which retains strong Planning Ministries (National Development Reform Commission in China and Planning Commission in India), and it is these Planning Ministries that are now leading on their government's overall national response to climate change. However, there are other countries where planning is given much less importance and so here mainstreaming environment and climate into planning processes may be less of a priority.

4.3   Mainstreaming into National Planning Documents

There has been a good deal of work and much progress on mainstreaming environment and climate issues that matter to poor women and men into national planning documents. There are many examples where the UN and other development agencies have provided external support to improve the text of the planning document, for example by the

provision of external consultants to the Planning Commission in Bangladesh the 5th five year plan had a much more substantive section on environment and climate change. (Additional PEI examples to be added)

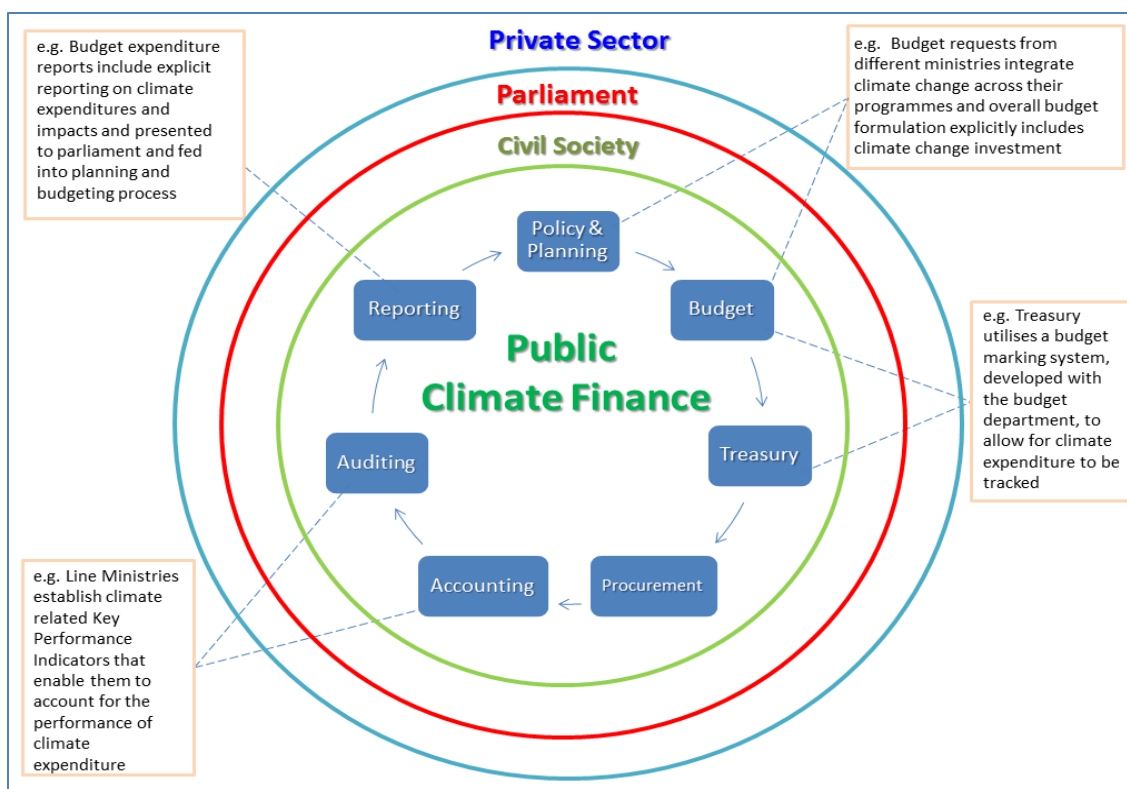### 4.4 Mainstreaming into National Planning Processes

Mainstreaming into national planning processes is a much more institutionally sustainable approach than simply providing text to strengthen a planning document through external support. It requires ensuring that a particular set of institutions continue to stress environment and climate issues once external support has ended. In Bhutan, the UN has with other development partners supported a "Mainstreaming Reference Group" chaired by the Gross National Happiness Commission (i.e. Planning Commission) who have been recognized by a Prime Ministerial Decree to support mainstreaming into the five year plan and related policies and programmes. In some countries, the Ministry of Environment can be supported to play this role in mainstreaming into national planning – but this requires an able and willing Ministry of Environment to be pro-active even once donor funds for mainstreaming ceases.

Chapter 5   MAINSTREAMING INTO BUDGETING PROCESSES

This chapter will highlight the approach for budgeting and financing for poverty-environment-climate mainstreaming, which includes engaging in the budgeting process at various levels and improving the contribution of the environment and natural resources to public finances. The chapter will also highlight ways budgets actually work and how PEI has contributed to budget circulars and assessments of public investment programmes.

5.1 Engaging in the Budgeting Process

The budget is the key political and economic decision of a government. It includes both the expenditure decisions of a government i.e. what to spend on, but also the fiscal policy of a government i.e. what to tax and levy charges on. These public expenditure and fiscal policy decisions also incentivize private sector investments. Public expenditures can impact on environment and climate issues in terms of the "positive" expenditures on environment and climate priorities such as sanitation, watershed and forestry management and climate proofing infrastructure, and "negative" expenditures such as government funded fossil fuel power plants or state led land clearance. "Positive" fiscal policy can include incentives for clean technology or private forestry plantations, while "negative" fiscal policies can include tax breaks for private fossil fuel investments or for private investors to clear forests. The budget is a complex political and technical exercise, which therefore provides multiple entry points for environment and climate mainstreaming. The key steps in the budget process are budget planning and formulation, budget execution and implementation and budget monitoring and accountability. The diagram below shows how climate change in particular can be integrated into these different steps.

Private Sector

Parliament

Civil Society

Public Climate Finance

Policy & Planning

Budget

Treasury

Procurement

Accounting

Auditing

Reporting

e.g. Budget expenditure reports include explicit reporting on climate expenditures and impacts and presented to parliament and fed into planning and budgeting process

e.g. Budget requests from different ministries integrate climate change across their programmes and overall budget formulation explicitly includes climate change investment

e.g. Treasury utilises a budget marking system, developed with the budget department, to allow for climate expenditure to be tracked

e.g. Line Ministries establish climate related Key Performance Indicators that enable them to account for the performance of climate expenditure

5.2 **Mainstreaming into the Budget Formulation Process**

Ministry of Finance Budget call circulars: The Ministry of Finance starts the budget process by sending out a budget call to line Ministries with a budget ceiling. This may include certain criteria or priorities for public expenditure. A number of countries have included environment and/or climate as one of these priorities – Nepal is one such example where climate has been prioritized with UN support – and so more climate resilient projects may receive public funding. (Additional PEI examples to follow)

Ministry of Planning capital investment project screening: For capital investments to receive public funding (including donor funding), projects may have to undergo some form of screening to assess the costs and benefits of such projects. Bangladesh's Planning Commission has a separate format called a Project Proforma which it uses to appraise all capital projects. With UN support, this Project Proforma now mainstreams issues of poverty, gender, climate, environment and disaster management. In Viet Nam, UN support has also been provided to screen their capital projects for their contribution to the Green Economy strategy of the country. UN support is also being provided to a range of countries so they can build the skills of officials in planning and line agencies so they can undertake this prioritization.

Line Agencies costing of required expenditures: In order to submit their expenditure plans to the Ministry of Finance, line agencies need to be able to provide prioritized and costed programmes. For environment and climate programmes, these proritized and costed programmes are often lacking. There are many examples of environment, climate and biodiversity strategies with extensive programme recommendations - but no costings or prioritization to be able to then present these programmes for Ministry of Finance expenditures. UN support has been provided to line agencies in Cambodia to develop these prioritized and costed sectoral strategies for climate change. (Box on Cambodia to be added)

5.3   **Mainstreaming into Budget Execution Process**

The budget execution process is led by the Ministry of Finance with the line agencies. One of the key challenges may be that actual expenditures are below the planned expenditures and so ministries have very low delivery rates. This is a widespread problem across government that may be linked to limited capacity and weak systems, for example, for procurement. There are also problems that arise when budgets are delivered to line Ministries at different times than expected, often later than expected. These problems of the timing of budget receipts create varying problems for different sectors, but the problems of timing of expenditures create some specific problems for environment and climate. In particular, some environmental expenditures may be very time sensitive, tree planting in particular. The UN has provided support to Indonesia to demonstrate that much of its budget for tree planting has been arriving after the key rainy season so that the tree survival rate has been very low. Another important link on timing is that funds for post disaster clean-up which is now increasingly linked to climate change is only available after the disaster even though ex-ante investments before the disaster may be much more cost-effective. Better linking humanitarian and ex-post disaster expenditures needs much more attention.

5.4   **Mainstreaming into Budget Monitoring and Oversight**

Budget reporting and monitoring and oversight by the supreme audit institutions as well as legislatures and civil society provides the final step in the budget process.

Public Environment Expenditure Reviews (PEERs) and Climate Public Expenditure and Institutional Reviews (CPEIRs): A number of countries have shown interest to track their expenditures on environment and increasingly on climate expenditures. These tools can be undertaken on a regular basis or institutionalized within the budget process to provide regular data to track the quantity of expenditure. Some countries are moving from just tracking quantity of expenditure to also track the quality of expenditure in terms of impacts and results.

5.5   **Mainstreaming into Fiscal Policy: Environment Fiscal Reforms**

Fiscal policy is a crucial aspect of public policy and can be used to combine both environmental and pro-poor outcomes that are central to a green economy (OECD, 2005, World Bank et al 2005). Environmental fiscal reforms may not always be the most effective way to raise revenues, nor are they necessarily the best approach to protecting the environment. However, the value of EFR lies in its ability to both raise revenues and protect the environment at the same time. Examples are removal of "negative" subsidies (e.g. on extractive natural resource technologies and fossil fuels), imposition of taxes or changes (e.g. on natural resource extraction, energy use or air and water pollution) or introduction of "positive" subsidies (e.g. on renewable energy or energy efficient technology) – although the latter will not raise revenues. So while reform of fossil fuel subsidies has often captured most attention due to its controversial nature, there are many other environmental fiscal reforms that have been introduced more quietly over the years with considerable success. Subsidies can include both actual government expenditure or tax allowances such as depreciation and reduced tax rates. Such EFRs are aimed at changing price signals so that they include environmental externalities. Poverty must be reduced by ensuring that poor households benefit (through use of higher revenue to increase service delivery or other improvements) and by environmental health gains from reduced pollution.

EFR design will depend on the country context and ability of proponents to build coalitions for reform. This includes the underlying social and cultural context (e.g. a view that water is a "free" good) as well as short-term factors such as a fiscal crisis, a series of

environmental disasters or new political leadership, which can all make reform more likely. Building coalitions during design depends on assessing the key benefits and losers from any fiscal reforms and managing perceptions to ensure that the losers are compensated (often using the revenues from the fiscal measures themselves) or public opinion clearly understands that any losses are "fair."

Using the revenues as compensation to affected industry or consumers may be important for political acceptability but may also create "trade-offs" by reducing the environmental and fiscal benefits of a reform. Dialogue is important but vested interests may still resist change and so leadership will be important. The exact aspects of design will vary significantly depending on the kind of fiscal instrument:

- For subsidy removal and taxes on natural resource extraction (e.g. fossil fuel mining, industrial fishing fleets, or commercial timber processing) there may be powerful industrial players who resist reforms.   However, the general public can likely be persuaded that such reforms are "fair"
- For subsidy removal or taxes on fossil fuel energy prices, this may negatively impact many middle class consumers as well as some poor consumers and affect inflation, so there is a need to take compensatory measures.
- For positive subsidies, such as for renewable energy this will be less controversial, although they may face challenges during a period of fiscal restraint.

The key players involved in the reform process include the politicians, the government bureaucracy, the affected private sector and household consumers, especially poor households. Within these groups there are further subdivisions such as the role of different Ministries within the government or of the different groupings within the private sector.

The poor have typically benefitted where there has been a clear commitment to use the revenues from EFR to benefit or compensate poor households. This has particularly been the case for fossil fuel prices changes where poor households have been seen as an important political constituency to achieve reform.

Development partners can play a role in supporting the evidence base for reform. However, development partners also need to be careful that they are not seen as intervening too closely into what is a contested domestic political process. This can be counter-productive if it is perceived that reforms are being "pushed" by external agencies.

The results of EFR can be measured both in terms of fiscal and environmental benefits. China's pollution levy system is set on over 200 different air and water pollutants raising more than $1.2 billion in 2004 which is used to fund environmental protection, however pollution has continued to worsen in many areas in China (GIZ, 2013). The Chinese government is now taking steps to also increase charges on inputs, such as energy to reduce the resulting pollution. In Brazil, the government has used VAT tax revenues (ICMS-E in Portuguese) to reward states for creating protected areas. It is estimated that in the state of Parana $170 million over 14 years has been generated increasing the number of protected areas in the state by 158%. Overall, ICMS-E revenues were $200 billion in 2009 (GIZ, 2013). However, for both China and Brazil's schemes while the fiscal benefits are easy to quantify, the environmental benefits of the fiscal reforms have not been so clear and insufficient attention has been paid to identifying the link between fiscal revenues and environmental outcomes.

Chapter 6   **MAINSTREAMING INTO SECTOR STRATEGIES AND SUB-NATIONAL PLANNING**
This chapter will focus on issues of governance and how centralized or decentralized systems of governance affect the responses to mainstreaming from national to local level. It will examine the approach for incorporating pro-poor environmental measures in

sector strategies. It will also include sector relevant tools and examples. It will then provide an assessment of why local government matters and the different regulatory, planning and service delivery functions of local government, and will then highlight how mainstreaming at the sub-national level could be undertaken. It will conclude with the view of mainstreaming into area based development approaches and tools that can be applied.

6.1 Focus on sector strategies and tools to apply and when

National development and environmental plans and targets are implemented through sector strategies and budgets. Thus it is vital that sector policies plans and strategies include sector specific p-e objectives and allocate the necessary budgets. For example, if the national PRSP has a target of XX% of agricultural land being covered by soil erosion control programmes, then that needs to be operationalized through the agriculture sector. Thus the engagement in sector planning and budgeting processes is necessary. This is time consuming and priority ENR sectors should be chosen and focused upon. Targeted economic evidence will be needed to justify the inclusion of p-e objectives in sector plans and budgets. It may also be necessary to review the mechanisms for co-ordinating sector planning processes with national level planning processes, for experience demonstrates that these are sometimes inadequate. Cross-sector co-ordination mechanisms may also need to be reviewed. A key lesson from p-e mainstreaming is that to sustain p-e impacts, the appropriate institutional mechanisms need to be in place.

6.2 The importance of local governments and implementation challenges

District level mechanisms offer key opportunities to implement pro-poor ENR sustainability objectives that result in concrete actions on the ground. However, there are many challenges at the District level – perhaps the prime being capacity constraints. Underfunded and under-capacitated district level governance systems are a general issue that has hampered decentralization processes in general and a careful institutional and capacity assessment is needed to guide the best approach for p-e mainstreaming. For example, is successful operationalization of sustainable agriculture objectives more likely through focusing on the agriculture sector mechanisms or district level mechanisms?

It is likely that the best approach is to work in a small number of districts as pilot p-e mainstreaming districts and to use those experiences to develop a scaling up strategy to be implemented by Government and donors. It may be that substantive improvements to decentralization processes are required, which are beyond p-e programmes.

Local governments (like central governments) have three main instruments with which to interface with environment and climate issues:
- Local public expenditure management through which local governments can finance public goods and services that impact, one way or the other, on climate and environment. This includes the way by which expenditures are made i.e. planning, budgeting, design, implementation, monitored and evaluated.
- Local fiscal revenues, raised in the form of taxes, fees and charges. Local government revenues are clearly linked to local expenditures – but, more importantly, should also be seen as instruments which can provide incentives or disincentives for the ways in which climate and environment are managed (or mismanaged).
- Local regulation, largely in the form of by-laws and land use planning/zoning, which can be used to enable or constrain certain types of activity, with either a direct/indirect or deliberate/unintended impact on NREM issues.

6.3 Area based approaches and experience

Chapter 7   **MAINSTREAMING INTO NATIONAL MONITORING PROCESSES**
This chapter will discuss the importance of integrating poverty-environment-climate objectives into monitoring systems, the approach, and examples from PEI experience. The chapter will also discuss the value of an expenditure review exercise for tracking spending. Going 'Beyond GDP' will also be discussed as it is closely linked to efforts to support the integration of poverty-environment indicators and related evidence into national planning processes.

7.1   **Integrating Poverty-Environment-Climate Issues into Monitoring Systems**

Developing countries have set up national monitoring systems to help track progress made against the goals of policy documents and the implementation of strategies and policy measures; these systems also help in identifying where and what kinds of corrective actions may be needed.

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

- Regular monitoring and reporting: If poverty-environment-climate 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. National Development Plan or sector strategy). Inclusion of such issues in the national monitoring system also helps maintain and improve understanding of the poverty-environment-climate linkages and how they can be measured.
- Informing the policy process: Monitoring poverty-environment-climate issues allows policymakers 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.

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

- Poverty-environment-climate monitoring as part of national monitoring system: Poverty-environment-climate issues and policy impacts should be monitored as part of the national monitoring system in place to review the performance of the various national, sector and subnational implementation strategies.
- Poverty-environment-climate indicators: Relevant and operational indicators are the main instrument for integrating poverty-environment-climate 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-climate dimensions of a policy. Examples of poverty-environment-climate indicators include percentage of households and industries using fuelwood as a source of energy, Number of people affected by environmental risks and disasters (e.g. floods, droughts and climate-related events, and percentage of local communities living around critical wetlands involved in ecotourism or recreational activities.
- Coordinating and strengthening the national statistics office and related institutions: Integrating poverty-environment-climate 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.

There are several steps that are required to ensure that poverty-environment-climate issues are integrated into the national monitoring system; these can be adapted to national circumstances. These include reviewing literature and experience from other countries, organizing consultations that 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, analysing national priorities so integration of poverty-environment-climate issues in the monitoring system is fully aligned and informs future policymaking and budget allocation, analysing existing monitoring systems, identifying and assessing possible poverty-environment indicators, selecting a core set of indicators, integrating poverty-environment indicators in the monitoring system, and strengthening institutions and capacities.

7.2   **Undertaking an Expenditure Review Exercise for Tracking Spending**

Harnessing public resources in support of poverty-environment-climate mainstreaming is important towards pro-poor and environmentally sustainable development. In many developing countries public sector financing is the main source of funds for implementing development policy and plans. Increasingly donor funds at country level, either channeled through Government institutions or civil society, are reflected in national medium-term expenditure frameworks (MTEF) and annual budgets. Review of how public funds are spent by government across sectors and nationally and/or sub-nationally can serve to identify what was spent, what was achieved as a result, whether the results achieved meet pro-poor and environmentally sustainable development objectives, and an assessment of the performance and efficiency of the institutional mechanisms governing expenditure and reporting.

Tools such as Public Environmental Expenditure Reviews (PEERs), Climate Public Expenditure and Institutional Reviews (CPEIRs), as well as related gender and social expenditure reviews are effective ways of supporting government on tracking and allocating budgets for climate change and sustainable environment and natural resources management for pro-poor development. These tools can be used to raise awareness of the importance of a given poverty-environment issue, to demonstrate its relevance to the achievement of related policy objectives, to shape national and donor debates concerning policy and funding priorities, and to begin a dialogue aimed at increasing levels of investment in poverty-environment outcomes.

The approach for conducting public expenditure and institutional reviews is both analytical and process-oriented. Government ownership is key both for access to data and to increase the likelihood of the results being accepted and more importantly acted upon. Important steps in the expenditure analysis include (UNDP & ODI 2012, p.11):

- Defining the body of "total expenditure" that is going to be analyzed in terms of poverty-environment or climate relevance, including how to include donor-financed projects, where international support is prominent: experiences suggests there is value in keeping domestic and international sources of funding separate in the analysis as they are subject to differing governance arrangements);
- Review the data available, ideally including electronic expenditure information at its most disaggregated level, direct from the public financial management system. Failing this, published budget documentation, Chart of Accounts, extra-budgetary funds sourced through Annual Reports, and a combination of national systems with

aid management disbursements can be pieced together to capture the range of spending;

- Filter the data by assessing which expenditures are poverty-environment or climate relevant and gauge the level of relevance, to arrive at a total expenditure, according to project/sector/budget identification and labelling. For recurrent budgets, the process for identifying depends on the level of disaggregation of budgetary information, informed by ministry respondents;
- Further analyze the data according to special issues, poverty-environment concerns, climate change adaptation, etc. This secondary analysis will often inform advocacy aimed at increasing budget allocations for poverty-environment mainstreaming, and other objectives.

Expenditure reviews are intended to facilitate the national response to investment needs, by identifying those actions that are needed to strengthen that response. As resources are always limited, some form of prioritization is needed to help guide scarce public investments and to guide donors towards providing funds for the right areas.

7.3   Beyond GDP: Towards More Holistic Measurement of Growth and Human Well-Being

Efforts to support the integration of poverty-environment indicators and related evidence into national planning processes are also closely linked to "Beyond GDP" initiatives. Traditional measurements of economic growth have centred on the concept of Gross Domestic Product (GDP). Increasingly, recognition has grown concerning the need for more holistic measurements which also capture the social and environmental dimensions of human wellbeing. GDP was never designed to be all-inclusive, and now much attention has been paid to formulating indicators which also address global and human challenges such as climate change, poverty, resource depletion, quality of life, health and even happiness.

There are different Going Beyond GDP challenges and opportunities in each country and region depending on national context and existing poverty-environment programming. At the same time, there is room in many countries to consider additional Beyond GDP work as part of evolving regional and country strategies. Some principal mainstreaming entry points for Going Beyond GDP work include:

- Integrated surveys and assessments, including household living standards and measurement surveys; Integrated diagnostic tools including SEAs, and PSIAs; and Economic assessments;
- Poverty-environment and green economy related multidimensional poverty indicators, including those supported by the Multidimensional Poverty Peer Network (MPPN), and the IUCN Environment and Gender Index; UNEP Green Economy indicators; WB Adjusted Net Savings measures; OECD green growth indicators; and the Global Footprint Index; and
- Natural capital valuation and accounting, supported by such systems, programmes and tools, including the System of Environment and Economic Accounts (SEEA), The World Banks's Wealth Accounting and the Valuation of Ecosystem Services (WAVES), UNEP's VANTAGE (Valuation and Accounting of Natural Capital for the Green Economy) programme and TEEB (The Economics of Ecosystems and Biodiversity) Initiative, UNDP GEF's support to National Biodiversity Strategies and Action Plans (NBSAP's), and UNDP Targeted Scenario Analysis.

Chapter 8   MAINSTREAMING INTO MANAGEMENT OF PRIVATE INVESTMENT

This chapter will discuss support to governments to manage private investment, including the issue of extractive industries and land concessions. Examples will be drawn from PEI experience in Lao PDR and Philippines.

Flows of private investment and foreign direct investment (FDI) to developing countries have risen steadily over the past two decades. A large body of evidence suggests that FDI can provide considerable economic, social and environmental benefits for host countries. However, these benefits are not concomitant: ultimately, outcomes of FDI depend heavily on government policies and institutional settings in the host country. In a conducive policy setting, FDI can be an effective contributor to economic growth, poverty reduction and employment creation. However, FDI can also result in natural resource degradation and depletion, as well as loss of access to resources for local communities. The challenge for policy-makers in host countries is to maximize FDI benefits and ensure that FDI contributes to national development aspirations (such as poverty reduction, environmental sustainability and achievement of the Millennium Development Goals) while minimizing its costs. The focus is on FDI in the primary sector, including agriculture, forestry and extractive industries—an area of growing interest among international investors and a sector of high economic significance for many developing countries.

8.1   Adopting and implementing a strategic approach for FDI within the country's overall development strategy

8.2   Establishing economic and institutional settings and implementing policies to attract and successfully manage FDI

8.3   Scrutinizing individual investment proposals and negotiating investment contracts

8.4   Monitoring investor compliance with relevant laws and project contracts

Chapter 9   CONCLUSIONS AND WAY FORWARD

Annex 1   Going Beyond GDP Measurement Work
Annex 2   Guidance Note on Rights-Based Approach
Annex 3   Guidance Note on Gender Mainstreaming
Annex 4   Inclusive Green Economy and Related PEN Tools
Annex 5   Main Poverty-Environment Tools used by PEI Regional Teams in Africa and Asia-Pacific
Annex 6   Main Communication Tools and Templates for Poverty-Environment Mainstreaming

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Glossary