



Eradicating Poverty through an Inclusive Green Economy

Ending poverty can be achieved if sustainable economic growth, social protection, and environmental health and stewardship are considered together. Giving a proper value to natural capital and ecosystem services, protecting, restoring and enhancing natural assets, ensuring equitable access to natural resources and sustainably-derived basic services, promoting green and innovative fiscal policies and investments, and tracking progress through new indicators should be part of the drive towards eradicating poverty irreversibly through smart, sustainable and inclusive growth.

DRIVERS OF POVERTY

Poverty is a challenge of the developed and developing world. Evidence suggests that global economic growth of last few decades and trade liberalization has helped to pull people out of poverty but had very limited success in promoting equitable and sustainable development in many regions of the world.¹ It is estimated that by 2015 a billion people, most of them in developing and transition economies, will be living below the extreme poverty line of \$1.25/day.² In the USA some 4 million people are currently surviving on less than \$60 a month.³ It is the decrease in income poverty in some countries that has driven the overall reduction in global poverty.⁴ However, these successes have not always been permanent and sometimes achieved by overlooking and underpricing of environmental externalities. For example, between 1994 and 2004 in both Ethiopia and India, roughly the same number of poor escaped poverty as those who became newly poor.⁵ Poverty patterns between rural and urban areas are also changing. The global challenge of rapid and unplanned urbanization has resulted in an estimated 61 percent of Africa's urban households living in slums in 2001, compared with 40 percent for Asia, and 32 percent for Latin America and the Caribbean.⁶ In Kenya, poverty is more prominent in urban, rather than rural areas.⁷ The poor have been urbanizing even more rapidly than the population as a whole; during 1993-2002, the count of the "\$1 a day" poor fell by 150 million in rural areas but rose by 50 million in urban areas.⁸

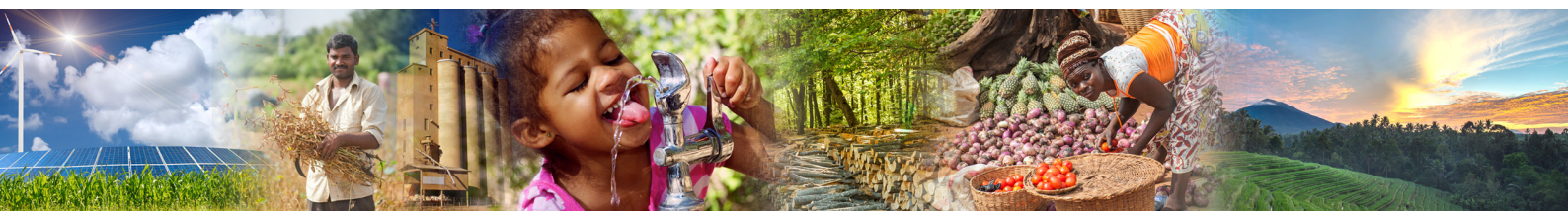
But the trends are even more significant than what these figures indicate, because income based poverty measures do not fully capture all forms of poverty. **Poverty is a multi-dimensional concept comprising of social, economic and environmental deprivation.**⁹ **Social deprivation** occurs when there is inadequate access to social amenities like education, health, sanitation, water, shelter and security. Over 1.3 billion people continue to live without access to electricity and 2.6 billion people are without clean cooking facilities – most of them in sub-Saharan African or developing Asia.¹⁰ Some 783 million people are also living without access to water, and 2.5 billion without access to sanitation.¹¹ As such, the number of poor is much larger when non-monetary issues are considered. As an example, about 39 % of Ethiopia's population was living on \$1.25 or less a day in 2005. However, the Multidimensional Poverty Index that adds these social factors measured that almost 90% of Ethiopians live in poverty.¹²

Environmental deprivation manifests itself as restricted access to natural assets, as well as differential vulnerability to climate change, ecosystem degradation and pollution. The majority of the extreme poor continue to live in rural areas, where their primary source of income is agriculture.¹³ Ecosystem services and other non-marketed goods make up between 50 and 90% of the total source of livelihoods among poor rural households – the 'GDP of the poor'.¹⁴ Common property resources contribute some US \$5 billion a year to the incomes of poor rural households in India, about 12% of their income.¹⁵ Ecosystem services derived from the management of natural resources form the most important component of the assets portfolio for nearly all countries in Sub-Sahara Africa,¹⁶ and natural capital accounted for 30% of the total wealth of low income countries in 2005.¹⁷

Therefore, a continuing decline in natural assets guarantees the continuation of poverty. The Millennium Ecosystem Assessment in 2005 estimated that approximately 60% of the ecosystem services that support life on Earth – such as fresh water, capture fisheries, air and water regulation, and the regulation of regional climate, natural hazards and pests – are changing, being degraded or used unsustainably, and not just by the poor.¹⁸ Agriculture's overall ability to keep people on the land is diminishing and rural-urban migration is on the rise, particularly in Asian countries.¹⁹ The International Resource Panel estimates the consumption of natural resources will triple by 2050.²⁰ An increasing world population will make it even more challenging to provide basic services to the poor.²¹

INTEGRATED SOLUTIONS

Profound changes in economic and financial globalization, rapid urbanization of poverty, increasing inequality within nations and ever more visible threats to human development and security from degradation of natural capital and living environment call for



a paradigm shift in planning for sustainable development. Actions by nations to advance a **green economy** (sometimes referred to as ecological civilization; or green, inclusive, low carbon economy; or climate resilient economy; or a circular economy) convey a growing realization that our US\$70 trillion global economy needs a refit. UNEP defines a green economy as one that results in "improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities". The development path should maintain, enhance and, where necessary, rebuild natural capital as a critical economic asset and as a source of public benefits. Human rights and the environment are inextricably linked – through the right of every citizen to a clean, healthy and productive environment.

New measures are required to understand progress towards sustainable development. New indicators which look beyond the traditional economic and development gauges (such as Gross Domestic Product and the Human Development Index) are needed, which not only assess current progress but also the welfare of future generation. For example the Inclusive Wealth Index (IWI) includes a full range of assets such as manufactured, human and natural capital and shows governments the true state of their nation's wealth and the sustainability of its growth.²² A multi-dimensional view expands the menu of solutions that can irreversibly eradicate poverty.

Equitable access to natural resources and land and tenure rights will increase income and improve livelihoods and the full participation of poor and marginalized groups, including women. Overexploitation of natural resources and loss of income and livelihoods of the poor are closely linked to the lack of secure access to and benefit sharing from natural and productive resources, exacerbated by land grabbing, unsustainable land use, weak governance, lack of rule of law, and corruption. Land grabbing for large scale agriculture and extractive industries often takes place in countries with food shortages - where investors export food production and poor small scale farmers are often evicted from their homes without fair treatment or compensation.²³ Skewed terms of trade and inappropriate pricing structures also compound the impacts on the poor. An integrated solution is to allocate and use land and natural resources in an equitable, accountable and transparent manner to reduce the percentage of landless rural population, and protect the local commons, thereby distributing benefits to the local communities most affected.

Initiatives for payments for ecosystem services and restoration of ecosystems have evolved and improved in recent years, with additional attention being paid to equitable benefits and addressing needs of the poor. New market-based instruments such as Biodiversity Offsets, Wetland Banking and Trade-able Permits can yield far more efficient solution.²⁴ For example, since 1997, nearly one million hectares of forest in Costa Rica have been part of payment for ecosystems services schemes at one time or another. Meanwhile, forest cover has returned to over 50 per cent of the country's land area, from a low of just over 20 per cent in the 1980s.²⁵ In the Oregon-USA, every dollar of public investment in restoration is multiplied in economic activity between 1.7 and 2.6 times as it cycles through economy.²⁶ Natura 2000, an ecological network of protected areas in the territory of the European Union, has generated benefits worth 300 billion Euro/year whereas the estimated costs were around 5.8 billion Euro/year. Natura 2000 supported 12 million full time equivalent jobs each year between 2006 and 2008.²⁷

Green fiscal policies and investments that affect the performance of the natural resource based sectors of economy, can have direct correlation with wellbeing of the poor. For example, a recent study in Tanzania shows that investing in sustainable forestry to expand the capacity of the sector to supply forest goods and services results in an increase in the incomes of the rural poor, the rural non-poor and the urban poor.²⁸ Greening of agriculture offers multidimensional benefits and has been shown to increase farm productivity between 59 to 179 percent.²⁹ If managed well, green fiscal measures can lead to differentially high per capita income growth for those at the bottom of the wealth pyramid including by encouraging decent, long-term employment and providing social protection floors. The integration of poverty-environment objectives into development planning at national, sub-national, and sectoral levels is a necessary accompaniment to fiscal reforms.³⁰

Innovation of institutions, supply chains and technology is critical to achieve the dual goals of greening the economy and increasing access of the poor to sustainably-derived basic services. There are many technological examples of low-cost, low-carbon and low-maintenance basic services, such as for housing, energy, drinking water, sanitation, waste disposal services, for both rural and urban areas.³¹ Also, small-scale financial services that are tied to positive environmental benefits, can link social with environmental agendas, and generate sustained income and savings for the poor. Aligning the financial system, especially the financial capital of the private sector which amounts to about USD225 trillion, to cater to the need to provide universal coverage of basic and sustainably-derived services, can lead to creation of macro and microfinance facilities and businesses, innovation labs, and millions of small/medium enterprises and jobs around the world which will provide a much needed push to economic growth while reducing poverty and improving the living environment.

In conclusion, greening social and economic policy measures offers viable options for eradicating poverty while achieving economic development and minimizing environmental risks.

References can be found at: <http://www.unep.org/post2015>.

Comments and questions can be sent to:
unep.post2015@unep.org

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