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## Agenda Issues Paper

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4 April 2006

**MEETING OF THE OECD  
DEVELOPMENT ASSISTANCE  
COMMITTEE AND  
THE ENVIRONMENT  
POLICY COMMITTEE  
AT MINISTERIAL LEVEL**

OECD Headquarters, Paris.



# **AGENDA**



# MEETING OF THE OECD DEVELOPMENT ASSISTANCE COMMITTEE AND THE ENVIRONMENT POLICY COMMITTEE AT MINISTERIAL LEVEL

## AGENDA

Paris, 4 April 2006  
OECD Headquarters

Co-Chairs:

Lena Sommestad (Minister for the Environment, Sweden)  
Richard Manning (Chair, OECD Development Assistance Committee)

### OBJECTIVES

- Identify key issues at the interface of the environment and development policy domains, notably those arising from the twin challenges of promoting poverty reduction and environmentally sustainable development, in pursuit of the development goals embodied in the UN Millennium Declaration, and described as the Millennium Development Goals (MDGs). The effective integration of local, national and global environmental issues in the context of poverty reduction will therefore form the overarching theme of the meeting.
- Lay the foundation for a strategic alliance between the Environment and Development Co-operation communities in OECD countries to address these issues, building on mutual opportunities. This alliance should be based on a common understanding of how the two communities can enhance the coherence of their policies and promote common goals in these policy domains. It will also provide the opportunity for OECD Members who are not DAC Members to contribute actively to DAC reflections on these matters, together with relevant international organisations.

1.	09h00 – 9h30	<p style="text-align: center;"><b>Opening remarks</b></p> <p style="text-align: center;">Lena Sommestad, Minister for the Environment (Sweden) Richard Manning, Chair, OECD DAC Kiyotaka Akasaka, Deputy Secretary General, OECD</p>
2.	9h30 - 12h00	<p style="text-align: center;"><b>Session I</b></p> <p style="text-align: center;"><b>Poverty Reduction, Environment and the Millennium Development Goals</b></p> <p style="text-align: center;">Chair: Richard Manning</p> <p style="text-align: center;">Lead Speakers:</p> <p style="text-align: center;">Agnes van Ardenne-van der Hoeven, Minister for Development Co-operation (Netherlands) Yuriko Koike, Minister of Environment (Japan)</p> <p><i>This session will aim to generate common understanding between the development and environment communities on how environment relates to poverty reduction and the achievement of the Millennium Development Goals (MDGs). The session will also explore ways in which the environment and development communities can better work together towards the achievement of the MDGs, as well as to resolve potential trade-offs.</i></p>
3.	12h00 – 14h30	<p style="text-align: center;"><b>Session II</b></p> <p style="text-align: center;"><b>International Governance for Development and Environment</b></p> <p style="text-align: center;">Chair: Richard Manning</p> <p style="text-align: center;">Lead Speakers:</p> <p style="text-align: center;">Nelly Olin, Minister of Ecology and Sustainable Development (France) Ad Melkert, Associate Administrator (UNDP)</p> <p><i>This luncheon session for Heads of Delegations will provide an opportunity to discuss ways of improving co-ordination among multilateral and bilateral institutions operating at the interface of development and environment. A particular focus will be on how Development Co-operation and Environmental agencies in OECD countries themselves can contribute to such improved coordination.</i></p>

4.	14h30 – 17h00	<p style="text-align: center;"><b>Session III</b></p> <p style="text-align: center;"><b>Building Development-Environment Synergies for Implementing International Environmental Agreements</b></p> <p style="text-align: center;">Chair: Lena Sommestad</p> <p style="text-align: center;">Lead Speakers:</p> <p style="text-align: center;">Heidemarie Wieczorek-Zeul, Minister for Economic Co-operation and Development (Germany)</p> <p style="text-align: center;">Ulla Tørnaes, Minister for Development Co-operation (Denmark)</p> <p><i>This session will focus on the opportunities and challenges facing Development Co-operation and Environmental agencies in OECD countries to mutually support implementation of international environmental agreements in partner countries, while also achieving local development goals.</i></p>
5.	17h00 – 18h00	<p style="text-align: center;"><b>Session IV</b></p> <p style="text-align: center;"><b>The Way Forward</b></p> <p style="text-align: center;">Chair: Lena Sommestad</p> <p style="text-align: center;">Lead Speaker:</p> <p style="text-align: center;">Elliot Morley, State Minister for Climate Change and Environment (United Kingdom)</p> <p><i>This session will pull together the main conclusions of the day's discussion and will identify a Framework for Common Action Around Shared Goals. This Framework will support partner countries in achieving their own development and environmental priorities. It will also help in mainstreaming environmental considerations into development and poverty reduction policies and strategies, in line with the principles and objectives of the Paris Declaration on Aid Effectiveness. Further, it will provide a blueprint for enhanced co-operation on environment and development issues, in line with the OECD Environmental Strategy for the First Decade of the 21<sup>st</sup> Century.</i></p>
6.	18h00	<p style="text-align: center;">End of the Meeting</p> <p style="text-align: center;">Cocktail</p>



# **ISSUES PAPER**



## **SESSION I POVERTY REDUCTION, ENVIRONMENT AND THE MILLENNIUM DEVELOPMENT GOALS**

### **ISSUES FOR DISCUSSION**

- *How to make a stronger case that environment is an important part of the development agenda?*
- *Which issues at the interface of the development-environment linkage provide the most effective entry points for future co-operation?*
- *How can existing policy instruments for development-environment integration be better used at the national or local levels, bearing in mind the priorities and capacities of countries at different levels of development?*

### **Environmental resources are an important source of wealth for developing countries ...**

Environmental resources contribute a far greater share of national wealth in developing countries than they do in high-income ones. The World Bank has estimated that environment-based wealth accounts for around 25% of the total wealth in low-income countries, compared to around 13% in middle-income countries and less than 4% in OECD countries. World Bank studies also suggest that over 1 billion people world-wide depend, to varying degrees, on forest-based assets for their livelihoods.

### **Environmental resources are being degraded in many developing countries ...**

The Millennium Ecosystem Assessment found that most (15 of 24) of the essential services provided by ecosystems, such as food production and water quality and availability, are already being used in an unsustainable manner, and that the capacity of the ecosystem to recover from this unsustainable use continues to erode. In some cases, competition over increasingly scarce or degraded resources, such as water or land, is an important factor fuelling socio-political conflicts at the local, national or international level.

### **The poor are likely to be the most affected by this environmental degradation ...**

Most poor people living in rural areas draw their incomes from forests, fishing, pastures, or farming. In Cambodia, for example, mangrove-based fishing contributes an estimated 20-58% of poor household incomes. People living in poverty are well aware of this dependence. A review of 23 "Participatory Poverty Assessments" concluded that environment was considered a crucial element of local well-being.

The poor are also disproportionately vulnerable to the consequences of environmental degradation. In urban areas, the poor are more exposed to the health consequences of air and water pollution. The WHO has estimated that 20% of reduced life expectancy in developing countries is attributable to environmental causes, versus only 4% in rich countries. Women and children are particularly vulnerable to indoor air pollution problems – a larger source of reduced life expectancy in developing countries than malaria. This illustrates one of the many linkages between gender equality and environmental issues, and the critical need to address the differentiated needs of men and women.

## Better development-environment integration is important for addressing these problems

The economic importance of environmental resources in developing countries, combined with the significant consequences for the poor when these resources are degraded, argues for a strong link to be made between development and environmental objectives. The Secretariat has derived Box 1 from the development goals in the UN Millennium Declaration, which are often referred to as the “Millennium Development Goals” (MDGs), to illustrate the strong linkage of the environment to the MDGs.

### Box 1. Environment linkages to the “Millennium Development Goals”

- 1 **Eradicate extreme poverty and hunger:** Livelihood strategies and food security for the poor often depend directly on healthy ecosystems and the diversity of goods and ecological services they provide.
- 2 **Achieve universal primary education:** Time spent collecting water and fuel-wood by children, especially girls, can reduce time at school.
- 3 **Promote gender equality and empower women:** Poor women are especially exposed to indoor air pollution and the burden of collecting water and fuel-wood. They also have unequal access to land and other natural resources.
- 4 **Reduce child mortality:** Water-related diseases (e.g., diarrhoea and cholera) kill an estimated 3 million people a year in developing countries, the majority of whom are children under the age of five.
- 5 **Improve maternal health:** Indoor air pollution and carrying heavy loads of water and fuel-wood adversely affect women's health, including making women less fit for childbirth and at greater risk of complications during pregnancy.
- 6 **Combat HIV/AIDS, malaria and other diseases:** Up to one-fifth of the total burden of disease in developing countries may be associated with environmental risk factors. Preventive environmental health measures are as important (and often more cost-effective) than health treatment.
- 7 **Ensure environmental sustainability:** This goal recognises that development-environment integration is required to reduce the loss of environmental resources. It also calls for reducing by half the proportion of people without sustainable access to drinking water and sanitation.<sup>1</sup> According to the World Health Organization, 1.6 million deaths of children per year can be attributed to unsafe water, poor sanitation, and lack of hygiene.

Improved environmental management in developing countries would strongly support efforts toward realising the MDGs. For example, improved water supplies and sanitation generate welfare improvements (e.g., time not spent travelling long distances to fetch water), which can translate into improved school attendance. Cost savings also result for the health system from reduced incidence of waterborne diseases. The WHO has estimated a benefit-cost ratio of 7.5:1 for reaching the MDG7 target related to water and sanitation.

Improving access to affordable and environmentally sustainable energy would also yield multiple benefits, especially for women and children, who spend many hours a day collecting fuel. Improved human health (due to better air quality), reduced environmental damage (better retention of wooded areas), improved soil quality (by returning dung to farmers' fields, rather than burning it) are all examples of the potential welfare benefits available here.

<sup>1</sup> The sanitation dimension was added at the World Summit on Sustainable Development (Johannesburg, 2002).

## **However, development-environment integration generally remains a low priority ...**

Environmental issues are still considered to be of marginal importance to many development contexts. A perception remains that scarce development resources should not be allocated to environmental goals because the return is not seen to be as high as on other activities. Integration or “mainstreaming” of environmental needs (both local and national) into development planning processes therefore remains weak and many opportunities are missed.

There are two broad ways of addressing these problems:

First, environmental agents could help make clearer what the potential economic and welfare gains are for developing countries from improved environmental quality. Many of these potential gains are not monetised through the marketplace, so there is a tendency to undervalue them. The undervaluing of biodiversity’s services for local ecosystems is one example of this. Analytical work conducted jointly by OECD, UNDP, UNEP, World Bank, IMF and other partners amply demonstrate that many environmental policies and instruments already exist which can simultaneously support poverty reduction, economic development, and environmental management goals. By helping to preserve environmental quality, approaches such as environmental fiscal reforms, can also free up resources for anti-poverty programmes in such areas as water supply and sanitation, or for pro-poor investments in areas such as health and education. Such approaches have been successfully applied by countries as diverse as Argentina, China and Mauritania, and in sectors such as electricity supply, industrial pollution control and fisheries management.

Second, development agents could also help build on the strong potential synergies between the development goals and environmental objectives at the level of national or sectoral policies, plans and programmes. For example, Strategic Environmental Assessment approaches can help identify “win-win” development-environmental opportunities in a proactive manner.

Development Co-operation agencies are increasingly moving toward providing financial support in the context of broad, country-driven, sectoral or macroeconomic programmes and/or instruments. The basic goal of this new approach to development co-operation is to reduce transaction costs, as well as to reinforce the domestic priorities of partner countries. While the demand-orientation of aid programmes may make it more difficult to focus development co-operation efforts toward specific environmental goals, it also opens up new opportunities for policy dialogue at both the macroeconomic and sectoral levels, as well as for the more efficient integration of environmental objectives into development planning. The *Paris Declaration on Aid Effectiveness* recognises this and calls upon donors and partners countries to “develop and apply common approaches for “strategic environmental assessment at the sector and national levels. “

## SESSION II INTERNATIONAL GOVERNANCE FOR DEVELOPMENT AND ENVIRONMENT

### ISSUES FOR DISCUSSION

- *What are the current strengths and limitations of existing international institutional frameworks for addressing issues at the interface of development and environment?*
- *How to build upon the comparative advantage of individual agencies working at this interface at the international and country levels?*
- *Recognising the need not to duplicate ongoing discussions within the UN system, how could Development Co-operation and Environmental agencies in OECD countries support more integrated efforts by the various international agencies involved in environment and development issues?*

Multilateral and bilateral institutions play a critical role at the interface of development and environment, not only at the international level but also at country and local levels. The large number of such institutions and their specialisation, however, also poses co-ordination challenges. At the World Summit on Sustainable Development, in Johannesburg in 2002, it was agreed that *“Strengthening of the international institutional framework for sustainable development is an evolutionary process. It is necessary to keep under review relevant arrangements; identify gaps; eliminate duplication of functions; and continue to strive for greater integration, efficiency and coordination of the economic, social and environmental dimensions of sustainable development aiming at the implementation of Agenda 21.”* More recently, at the 2005 World Summit, UN Members urged stronger coherence between the various elements of the UN system. With respect to environmental activities, one of the key issues to be faced is *“the better integration of environmental activities in the broader sustainable development framework at the operational level [...]”*.

Improved co-ordination among multilateral and bilateral institutions operating at the interface of development and environment is therefore of fundamental interest. It will be particularly important to understand how OECD countries can contribute to such improved co-ordination through their Development Co-operation and Environmental agencies.

### SESSION III

## BUILDING DEVELOPMENT-ENVIRONMENT SYNERGIES FOR IMPLEMENTING INTERNATIONAL ENVIRONMENTAL AGREEMENTS

#### ISSUES FOR DISCUSSION

- *How can OECD countries assist developing countries in getting better advantage for their development process from the instruments available through international environmental agreements:*
- *How could Development Co-operation and Environmental agencies in OECD countries improve their collaboration in support of international environmental agreements?*
- *How can the private sector and civil society become more engaged in these efforts (e.g., in promoting: innovative sources of financing; use of economic instruments; technology development and transfer; consultative mechanisms; and public participation)?*

#### **Global environmental issues raise special problems for developing countries ...**

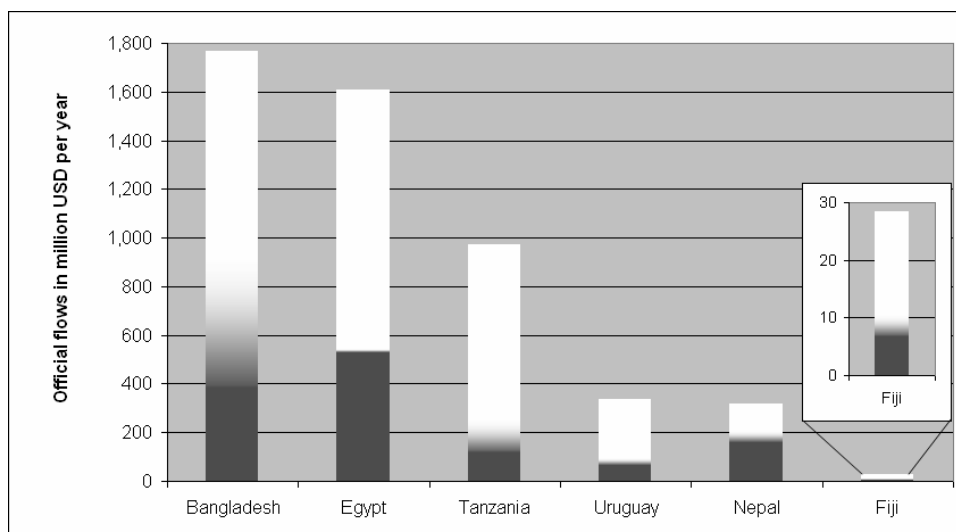
Global environmental challenges – climate change, biodiversity loss, land degradation, unsound management of hazardous chemicals and others – have important implications for poverty reduction and development. Poor countries are more vulnerable to the impacts of these phenomena and less likely to have the capacity to protect themselves from any adverse consequences. The *Paris Declaration on Aid Effectiveness* explicitly recognises the need to deepen progress towards harmonising environmental impact assessment approaches in development co-operation “including on addressing implications of global environmental issues such as climate change, desertification and loss of biodiversity”.

Tackling global environmental challenges will often impose immediate and direct costs for national economies, whereas the benefits of such actions often accrue over the long term. Further, these benefits need not necessarily accrue proportionately for the countries, communities, or industries that take the strongest action. The indirect links between the costs and benefits of addressing global environmental issues make it a special challenge for developing country governments to fulfil their international commitments relating to global environmental issues.

#### **Building development-environment partnerships with developing countries is a key ...**

In many countries, global environmental issues are treated as a problem only for Environment Ministries. The issues are therefore not well integrated into day-to-day development planning. Similarly, National Action Plans developed under various international environmental agreements (e.g., climate change, biodiversity, and desertification) are poorly linked to development priorities, even in the economic sectors most likely to be affected by these environmental problems. For example, recent work by the OECD in six developing countries has shown that while a significant fraction of official aid flows are directed at activities that might be sensitive to climate risks (Figure 1), adaptation to climate change (and often even current climate variability) is not adequately considered in the development activities of both international donors and partner countries.

Figure 1. Annual official flows and share of activities potentially affected by climate change



Source: Bridge Over Troubled Waters: Linking Climate Change and Development (OECD, 2005).

Success in addressing global environmental problems will require the active participation of developing countries. However, this participation will have to be consistent with the development priorities of those countries. Progress toward resolving key global environmental challenges will therefore require strong partnership between OECD and developing countries with arrangements that seek to achieve both development and environmental objectives.

Fortunately, many “win-win” opportunities exist between development and the global environment. Biodiversity conservation can be compatible with economic development and be integrated as part of poverty reduction efforts (see Box 2). Efforts to reduce greenhouse gas emissions are often consistent with reduced local air pollution, improved public health, and stronger energy security, as well as efforts to adapt to the impact of climate change. Similarly, initiatives to combat desertification can improve food security, reduce risks associated with natural disaster, and improve biological diversity. OECD work has identified many synergies between investment, development and environment and win-win opportunities for private investment in support of implementation of international environmental agreements. Important development benefits of private sector involvement include, in particular, capacity building and improved access to environmentally-sound technologies.

**Box 2. Development-environment integration in support of international environmental agreements: the case of Madagascar**

Madagascar has been called the single most important priority for biodiversity conservation in the world. A hectare of forest land lost in Madagascar has a greater negative impact on global biodiversity than a hectare lost anywhere else on earth. However, poverty, unproductive agriculture, high population growth, and weak environmental governance threaten Madagascar's biodiversity riches.

In response, the Government of Madagascar was the first in Africa to elaborate a National Environmental Action Plan (NEAP) in 1989 with the first phase of implementation starting in 1991. The NEAP required several policy actions outside the biodiversity sphere *per se* such as interventions aimed at reducing the intensity of land use; developing non-agricultural sources of income; and better enforcement of logging and timber export policies. The principles contained in the NEAP have also been embedded in the Poverty Reduction Strategy Paper for Madagascar, as well as in its Rural Development Action Plan. Successful development-environment integration has been based on several key factors:

- *Streamlined planning framework, involving strong partnership between donors and the national government* – The NEAP Framework is based on: (i) a strategic and operational orientation; (ii) a performance-based programme with clear objectives; (iii) indicators of progress; and (iv) clear messages for all stakeholders, including local communities, the private sector, and other actors.
- *Political commitment* – As one example of this commitment, the Government announced in 2003 its decision to more than triple the size of its protected area network.
- *Commitment to good environmental governance* – The NEAP explicitly recognises the need to develop and maintain strong institutions, capable of delivering environmental results.
- *Strong interface with sectoral programmes* – The NEAP takes a holistic view of sustainable development, and maintains strong links to rural development, mainly through the agriculture and transport sectors.

Evidence emerging from NEAP's monitoring and evaluation system confirms the positive impact of the programme on the ground. Intermediate outcomes include:

- Significantly lower rates of deforestation and degradation of critical habitats;
- Largely improved quality of biodiversity in protected areas;
- Income benefits for more than 370,000 rural households due to investments that enhanced soil and water conservation and productivity; and
- Increased tourist revenues from national park visits.

Development Co-operation and Environmental agencies in OECD countries can play an important facilitating role in generating more integrated solutions to global environmental problems. Development Co-operation agencies can provide a critical interface with developing country partners, to underline the importance of a "development-friendly" contribution by developing countries to the resolution of global environmental challenges.

Environmental agencies can demonstrate how the tools available under various international environmental agreements can be better applied to the development process (e.g., Clean Development Mechanism). Both the environment and development communities could also make clearer the cost-reducing advantages of better integration of both sets of goals within sectoral planning processes.

## SESSION IV THE WAY FORWARD

### ISSUES FOR DISCUSSION

- *How to engage developing countries as full partners in implementing the Framework?*
- *What role can OECD countries play in this process, both through their Development Co-operation and Environmental agencies, and via OECD activities?*
- *What are appropriate milestones related to the implementation of the Framework?*

Success in jointly achieving development and environment objectives in both partner countries and at the international level will require effective partnerships between developing and OECD countries, international organisations and civil society, as well as between Development Co-operation and Environmental agencies within OECD countries. Such a goal is also closely aligned with the *OECD Strategy for the First Decade of the 21st Century* (Box 3), as well as the *Paris Declaration on Aid Effectiveness* (Box 4).

#### Box 3. OECD Strategy for the First Decade of the 21st Century

The OECD Strategy for the First Decade of the 21st Century recognises the need to “*further develop environmental policy towards fostering sustainable development within and among OECD countries in a way that is responsive to non-member countries in their search for sustainable development*”. It notes that the success of implementing the strategy will depend on strengthened co-operation with non-member countries, including developing countries and countries with economies in transition, and points to the need to “*Strengthen co-operation between the Environment Policy Committee (EPOC) and the Development Assistance Committee (DAC) on priority issues of mutual concern*”.

A road-map for concrete actions for follow-up is laid out in the *Framework for Common Action around Shared Goals* which is organised around:

- Taking stock and increasing awareness of policy approaches and instruments which have proven to be effective in integrating environment and development objectives in various domains;
- Adapting, scaling up and expanding implementation of “good practices” at the interface of environment and development;
- Refining and adapting existing indicators and instruments in order to improve their applicability to specific developing contexts; and
- Supporting capacity building efforts for environment-development integration in developing and transition countries.

#### Box 4. Environmental Dimensions of the *Paris High Level Declaration on Aid Effectiveness*

The *Paris Declaration on Aid Effectiveness* lays down a practical, action-oriented road map to improve the quality of aid, centering on the principles of country-ownership, harmonisation, alignment, result-orientation and mutual accountability. It points to a range of measures aimed at improving the management of ODA. It also addresses aspects of improved environment-development integration, including harmonisation of environmental impact assessment (EIAs), addressing global environmental issues, capacity development and enforcement of legislation:

*Para 40. Donors have achieved considerable progress in harmonisation around environmental impact assessment (EIA) including relevant health and social issues at the project level. This progress needs to be deepened, including on addressing implications of global environmental issues such as climate change, desertification and loss of biodiversity.*

*Para 41. Donors and partner countries jointly commit to:*

- *Strengthen the application of EIAs and deepen common procedures for projects, including consultations with stakeholders; and develop and apply common approaches for “strategic environmental assessment” at the sector and national levels.*
- *Continue to develop the specialised technical and policy capacity necessary for environmental analysis and for enforcement of legislation.*

*Para 42. Similar harmonisation efforts are also needed on other cross-cutting issues, such as gender equality and other thematic issues including those financed by dedicated funds.*