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## Co-Chairs' Summary

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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

OECD  OCDE



# MEETING OF THE OECD DEVELOPMENT ASSISTANCE COMMITTEE AND THE ENVIRONMENT POLICY COMMITTEE AT MINISTERIAL LEVEL: CO-CHAIRS' SUMMARY

## Environment and Development: A New Opportunity

Twenty-eight Ministers participated in this meeting of OECD Development and Environment Ministers, with about half coming from the development side and half from the environment side. Twenty-six OECD Ambassadors also attended, as did five senior representatives of International Governmental Organisations. A total of 315 people took part overall. Such a large number of participants provides ample evidence, in and of itself, of the pressing need for action toward better development-environment integration.

In our opening remarks, we reminded you that this meeting had two basic objectives:

- To 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 Millennium Development Goals (MDG). 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.
- To lay the basis for a strategic alliance between the Environment and Development Cooperation communities 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.

This is the first meeting of OECD Development and Environment Ministers since 1991. A lot has changed in those 15 years.

The good news is that economic development is picking up in developing countries. Growth rates in many developing countries have recently outdistanced those in OECD countries as a whole, and this trend looks set to continue. The pattern, however, is uneven. One challenge will be to make sure that this growth occurs in a context of environmental and social sustainability. Another challenge will be to seize opportunities to combine poverty reduction with environmental improvement, especially in areas where economic growth is low, or is unevenly distributed.

Many millions of the world's poorest people depend on basic natural resources for survival. In fact, such resources account for a quarter of national wealth in low income countries, compared to barely 4% in the OECD area. But many ecosystems are in a state of decline and the essential services they provide, from food production and water to disease management and climate regulation, are being eroded.

The end result is that poor people are often particularly exposed to the negative impacts of economic expansion, including uncontrolled urbanisation and pollution. They also bear the brunt of pressures from climate change, sea level rise and extreme weather conditions, such as the recent hurricanes that struck Central America. Natural resource degradation also contributes to violent conflict at the national or international levels.

The OECD Development Assistance Committee handles over 90% of bilateral aid, so it is not surprising that donor interest in the environment should be intensifying. To cite just one example, OECD analysis shows that a large proportion of development aid is directed at activities potentially affected by climate risks. Expectations that aid volumes will double over the next five years make the task of mobilising available expertise to better integrate climate change and other environmental concerns into development strategies and projects all the more urgent.

Developing countries set their own priorities for development assistance, with donors playing largely a supporting role. With development aid rising, many developing country partners, development agencies, and civil society groups are now insisting that environmental considerations form a coherent and integral part of local development strategies. However, excessive environmental criteria should not hold back development. We cannot afford to take a “development *or* environment” perspective; we need to frame our problems in terms of “development *and* environment”, and we need to develop working alliances with people in developing countries toward that goal.

We also need to recognize that multilateral environmental agreements (MEAs) are very important for developing countries – not just for developed ones. To be sure, there is a clear need for leadership by developed countries, in recognition of their differentiated responsibilities under these Agreements. However, we must never forget that developing countries are affected very heavily by the environmental problems that are the targets of MEAs.

Many of these issues also came up during a Stakeholder Consultation that we held on April 3<sup>rd</sup> with representatives from business, trade unions, and non-governmental organisations. At this consultation, there was clear agreement, *inter alia* on the need: for environment and development to be mutually supportive; for MEA implementation to be considered within a broader economic setting; for more local input to be used in the implementation of MEAs; for stronger reflection of environmental considerations in Poverty Reduction Strategies Papers; and for wider use of public-private partnerships. We were pleased to report the results of this Stakeholder Consultation to Ministers on April 4<sup>th</sup>.

In his opening remarks, Kiyoo Akasaka Deputy Secretary General of the OECD reminded us that OECD’s Development Assistance Committee and its Environment Policy Committee have a rich history of co-operative work on key issues at the interface of development and environment. A clear opportunity therefore exists for us to build further on this positive experience.

### **Poverty Reduction, Environment, and the Millennium Development Goals (MDGs)**

Agnes van Ardenne-van der Hoeven (Netherlands), Toshiro Kojima (Japan), and Claudia McMurray (United States) led the discussion. Agnes van Ardenne-van der Hoeven emphasized that a change of attitude is called for on the part of OECD countries, which need to accept that links between poverty eradication and development deserve wider attention in multilateral environmental agreements (e.g. those dealing with climate change and biodiversity). She also pointed to the need for OECD countries to focus on the “quick wins”, instead of viewing the

environment as only a long-term challenge. In effect, we need to do a better job of making environmental improvement relevant to the daily struggles facing the poor. We also need to keep in mind that funding to implement multilateral environmental agreements needs to come from various sources – not only from Official Development Assistance. ODA funding will never be able to cover the immense investments needed to fully meet the financial need. The private sector and private investors are therefore likely to play key roles here.

Toshiro Kojima reminded us that Japan experienced severe environmental degradation during the course of its own economic development, so it is keenly aware of the need to avoid similar problems in developing countries. Downstream compensation and cleanup costs associated with environmental degradation can sometimes compromise economic security, again highlighting the need for a long-term perspective on these questions. Building in mechanisms to reduce the use of environmentally-intensive materials, as well as to encourage their recycling and reuse, can contribute significantly to long-term solutions. He also provided us with concrete examples of how Japan has worked to build environmental considerations into its ODA implementation efforts. One of the key lessons Japan learned is that we need to ensure local, national and cooperative good governance, as well as to enhance partnerships among stakeholders. Awareness-raising is an essential part of these processes.

Claudia McMurray focused on the need for strong governance en route to achieving the MDGs. She also emphasized that ODA is only one part of the complex web of activities that promote development in developing countries. Environmental Impact Assessment (EIA) is a very important instrument for promoting integration of environmental factors into project design, construction, and operation in developing countries. She also pointed to recent efforts to promote sustainable tourism, as well as to fight illegal logging, as two examples of how this integration can actually work in practice.

There was widespread recognition among Ministers that environmental management is strongly linked to development and poverty reduction, and in both directions. On the one hand, the MDGs and other development objectives will be more difficult to meet without a healthy environmental base. Environmental variables have been shown to be key determinants of many quality-of-life indicators, such as health, livelihood, and food security. High social and economic costs of environmental degradation on development have also been documented (e.g. in terms of mortality, morbidity, and productivity losses). On the other hand, it has been demonstrated that investment in environmental quality offers significant social and economic benefits (e.g. many environmental projects have high rates of return), and that prevention is often less costly than repairing problems after they have occurred. The need to decouple environmental degradation from economic growth is essential.

We therefore need to take a long-term view: environmental protection and development can often be mutually supportive: an approach of “grow first, clean up later” is not sustainable. We also need to move firmly beyond simple aspirations, and towards concrete action. “Quick wins” can demonstrate early results and build momentum for future improvements. Clearly, OECD countries must lead the way here, but we must do so in a way that reflects the legitimate need of developing countries to grow. The best way to do this is to make the economic case to partner countries for investing more in the environment (especially at the local level).

The most likely entry points for future action are likely to be those where the links between environment and economic or health priorities are the clearest, as well as those where the private sector and civil society can be most easily engaged. Health issues, access to modern energy services (including renewable energy), water and sanitation, adaptation to climate change;

reducing vulnerability to both environmental disasters and land degradation (e.g. desertification); cleaner production; sustainable tourism; and sustainable forestry seem to offer particular opportunities in this regard. In short, we need to focus on the basic services and vulnerabilities that affect people in developing countries most directly.

The most promising instruments to use are likely to involve economic incentives. In turn, the emphasis on economic incentives will accentuate the need for strong links to the private sector in all we do. Experimentation with such approaches as micro-credits, wider use of the economic valuation of environmental resources in decision-making, clearer (and more stable) property rights regimes, environmental fiscal reforms, and payments for environmental services all fall into this category. Several Ministers also pointed to the need to ensure that financial instruments which are already available (e.g. the Global Environmental Facility, Clean Development Mechanism, and of course, Official Development Assistance) are used to their full capacity.

Other instruments that seem to offer considerable promise for helping to improve environment-development integration include Environmental Impact Assessments on both ODA and private investments (including Strategic Impact Assessments); regional development strategies; and Multilateral Environmental Agreements themselves. These tools are important in order to make the Poverty Reduction Strategies and National Sustainable Development Strategies effective in addressing both environment and development issues.

A stronger level of public awareness should be pursued through education and strengthening of local communities, as well as through public dialogue at the national level.

OECD has an important role to play in helping make a stronger case that environment is an important part of the development agenda, particularly through economic analyses of the costs of inaction (and the benefits of action) on environmental degradation. OECD can also serve as a forum for sharing of experiences and good practices on integration of environment in development co-operation activities, and can help monitor progress in these areas.

### **International Governance for Environment and Development**

Nelly Olin (France) and Ad Melkert (UNDP) led the discussion. Nelly Olin emphasised that environment and development should be viewed as complementary objectives, and not as opposites. A coordinated international response is needed to facilitate greater coherence between environment and development at global, bilateral, and national levels. In particular, governance on environment is fragmented at the international level and has very limited resources. Noting that UNEP reform was insufficient, she indicated that France supports the creation of a “pole” on environmental issues at the global level, through a UN Environmental Organization.

Ad Melkert noted that an evaluation of the strengths and weaknesses of international governance on environment and development is part of a broader ongoing process for promoting system-wide coherence within the UN system. Within this ongoing process, the environment has been recognized as a cross-cutting issue and there is recognition of the need to improve coherence between various international agencies working on the environment at both the normative and the operational level. He also observed that increased coherence within the UN system needs to go hand in hand with greater coherence in funding towards different objectives.

Ministers generally recognised that governance on environment and development at the international level is currently quite fragmented, and generally needs greater coherence and integration. Environment also has a lower policy profile than development within the international system, resulting in relatively unstable financing arrangements. Most Ministers who spoke during the lunch suggested a World Environmental Organisation as a preferred option for addressing these problems. Others pointed to the inherent difficulties in attempting to standardise such a complex field as environmental management. We broadly agreed that building more integrated institutions at the national and sub-national levels would directly enhance integration at the international scale. In short, greater coherence within the international system needs to be based on improved coherence domestically, and especially across government departments.

One of the most important actions of donors is to strengthen national ownership and the capacity of government and civil society institutions to be able to implement combined actions in the fields of development and environment. Local environmental agencies and civil society actors often have expertise which can be usefully applied to development problems at both the policy and project levels. This is particularly true for capacity-building efforts.

Some existing international institutions, especially the World Bank and UNDP, already play key roles in operationalising the environment-development linkage within national development policies and plans. This role should be further deepened.

OECD itself has an important role to play here -- in the dissemination of good practices, in promoting stronger mainstreaming of environment in national and sectoral development policies, in performing economics analysis of integration opportunities, and in promoting more coherent policies among OECD environment and development agencies.

### **Building Synergies with Multilateral Environmental Agreements (MEAs)**

Astrid Klug (Germany) and Ulla Tørnaes (Denmark) led the discussion. Astrid Klug emphasized the important role environmental quality plays in economic development; mainstreaming environmental goals into development activities is therefore vital. Wider use of Strategic Environmental Assessments is a useful way forward toward this end. She placed high priority on the need to increase energy efficiency in developing countries, as well as to develop new renewable sources of energy. Reliable legal frameworks, good governance, and a stronger focus on capacity-building in developing countries are also likely to lie at the heart of future progress.

Ulla Tørnaes reminded us of the need to help developing countries take better advantage of the guidance provided by MEAs. Developing countries often have low capacities and weak institutions, so we need to make improvements in both areas. We also need to raise awareness of the environmental issues covered by MEAs. New funding sources have to be found too, and existing sources of funding (such as the GEF) must also be solidly supported – a position that was supported by a large majority of Ministers. She also highlighted the Danish Climate Action Programme, which involves efforts to “climate proof” development activities supported by Danish aid.

Climate change and other global environmental issues raise special problems for developing countries, especially for the Least Developed Countries and Small Island States. These countries are broadly the most vulnerable to the impacts of climate change, as well as the least able to adapt to these impacts. The poor are particularly dependent on natural resources for their livelihoods, making the management of these basic environmental resources especially

important. At the same time, success in addressing climate adaptation and mitigation will require the active participation of developing countries. In order to motivate efforts to improve the environment, available “win-win” opportunities should be fully exploited. Mainstreaming international climate change objectives into development planning is one step in that direction. Demonstrating the long-term benefits of investing in environmental protection (including increased capacity-building and technology transfer) is another.

In support of the mainstreaming agenda, we adopted a *Declaration on Integrating Climate Change Adaptation into Development Co-operation*. A significant part of ODA is currently being directed toward climate-sensitive sectors. The *Declaration* provides a platform for a wider range of collaborative action between OECD and developing countries on the challenge of climate change. It also provides a clear timeline for measuring progress.

OECD donors are already working with partner countries to help achieve the objectives of international environmental agreements, but more needs to be done. Another obvious place to focus on is better integrating international environmental goals into national development strategies (such as the Poverty Reduction Strategies).

Innovative market mechanisms can also be harnessed to help meet international environmental objectives, and to transform natural resources (and the services that flow from these) into marketable benefits. The Clean Development Mechanism is a particularly important tool that has been developed within the climate change arena. The GEF is another important instrument for implementing international environmental agreements, and for promoting greater coherence between them. Public-private partnerships and voluntary approaches can play important roles too, especially at the local level.

It is also important to keep working on improving the interface among the MEAs themselves. For example, some of the impacts of climate change will involve biodiversity loss or increased desertification. We need to acknowledge (and exploit) available opportunities for synergies among these environmental agreements.

OECD itself can play a greater role in demonstrating the real costs of inaction or delayed action on global environmental challenges); in identifying and sharing good practices on meeting these environmental challenges; and in promoting increased coherence in policy responses.

## **The Way Forward**

Elliot Morley (UK) led the discussion. He reminded us of the crucial role environmental management plays in reducing poverty. Under the right circumstances, environmental protection can actually promote economic development. There are often important opportunities for achieving both environmental and economic goals at the same time. Exploiting these opportunities requires first that donors themselves demonstrate a commitment to better integration of environment into development planning, and he pointed out that this meeting represents an excellent opportunity to reinforce that priority.

Elliot Morley also reminded us that we need “less talk and more action”. Toward that end, we adopted a *Framework for Common Action around Shared Goals*. This *Framework* will support partner countries in achieving their own development and environmental priorities. It will encourage future work to identify, adapt, scale up, and expand implementation of good practices at the interface of environment and development. It will also support capacity-building efforts

related to improved environment-development integration in both developing and transition countries.

The *Framework* will serve as a useful complement to both the *Paris Declaration on Aid Effectiveness* and the *OECD Environmental Strategy for the First Decade of the 21<sup>st</sup> Century*, by helping to further mainstream environmental considerations into development and poverty reduction strategies.

Implementation of the *Framework* should occur incrementally – progress will be faster in some contexts than in others. What is important is that real (and sustainable) progress be made “on the ground”. We agreed that this implementation process needs to involve developing countries themselves as full partners. Joint activities at the national, regional and local levels are therefore very much envisaged. We also agreed that gender equality issues need to be directly addressed in this implementation process – gender equality matters a lot for both poverty alleviation and environmental objectives.

Despite the real opportunities for synergy which exist, there are some areas where developmental and environmental goals will not always be congruent. In these areas, we need frank discussion and a willingness to work toward solutions acceptable to both sets of interests. Ongoing OECD work on policy coherence for development, particularly as it relates to trade and migration policies, will be particularly useful in this regard.

We also believe that the OECD has a key role to play in helping Member countries implement the *Framework*, building on the successful history of collaboration that exists between its Development Assistance and Environmental Policy Committees. We agreed that the OECD could continue to contribute significantly through its analytical work on linkages between environment, poverty, conflict prevention, gender, trade, and development. The OECD Global Forums on Sustainable Development provide a very useful avenue for continuing dialogue on these issues.

We also see the OECD helping to monitor progress towards implementation of the *Framework*, by developing measurable milestones for this progress, and perhaps also through established mechanisms, such as the DAC Peer Reviews. One of the ideas put forward by several Ministers was to hold a follow-up meeting of Development and Environment Ministers in 2009, to take stock of progress and to maintain the momentum established by this meeting. We encourage the OECD to reflect on all of these ideas in the context of its future work programme.

Lena Sommestad, Co-Chair  
Minister for the Environment, Sweden

Richard Manning, Co-Chair  
Chair, Development Assistance Committee