

**13th Poverty and Environment Partnership (PEP) Meeting
9–11 June 2008, Asian Development Bank**

Minutes

Summary

The 13th meeting of the Poverty Environment Partnership was hosted by the Asian Development Bank (ADB) on 9–11 June 2008 at ADB Headquarters, Manila, Philippines. Participants included more than 70 representatives of multilateral and bilateral donors, non-government organizations, and development project leaders from Asia and the Pacific.

Multilaterals development agencies represented included ADB, EC, GEF, OECD, Global Mechanism of UNCCD, UNDP, UNEP and World Bank, and bilateral agencies included CIDA, DANIDA, DFID, JICA, SIDA, and USAID. The meeting was opened by ADB Vice President Ursula Schaefer-Preuss. The objectives of the meeting were to review lessons from experience with poverty-environment interventions, discuss key emerging issues of relevance to PEP members, and to review ongoing and future joint PEP activities.

This note summarizes presentations, action points and discussions. The full agenda, presentations, and participants list are available on the ADB supported website www.povertyenvironment.net/pep. The next PEP will be hosted by SDC and UNEP in Geneva in late 2008 or early 2009.

- Country Environment Analysis: PEP members welcomed ongoing environment analyses (such as that presented from the Philippines), but encouraged greater coordination between development partners. A workshop will be organized in 2008 by World Bank and DANIDA on this subject. Contact Kulsum Ahmad of World Bank (kahmed4@worldbank.org) or Merete Villum Pedersen at DANIDA (merped@um.dk).
- Climate Adaptation Mainstreaming: PEP members welcomed analysis on how to integrate climate change issues into development interventions, including guidance documents produced by ADB, OECD DAC, USAID and others. For ADB work on climate change adaptation contact James Roop (jroop@adb.org) and for OECD contact Remi Paris (remy.paris@oecd.org).
- Existing and New Climate Funds: PEP members welcomed the increased funding available, but were concerned by potentially high transaction costs of accessing and servicing multiple global climate funds. Much can be learned from the health sector where multiple global funds are also a concern. There is a particular to support the capacity of developing country partners to develop appropriate proposals for the resources available. WWF has prepared a paper reviewing funds and is working with IUCN on proposals to improve the international architecture for financing environmental management. Contact WWF, Tim Geer (TGeer@wwfint.org). For information on Climate Change Funds, contact Woonchong Um (wcum@adb.org).
- Reduced Emissions from Deforestation and Degradation: The draft paper by selected PEP members was welcomed as helping to shape the debate on pro-poor REDD. It was proposed that the paper's messages be disseminated more widely through a short summary and more definitive recommendations, with the paper being considered as a joint PEP publication. Contact Leo Peskett of ODI (l.peskett@odi.org) and David Huberman of IUCN (david.huberman@iucn.org).

- Pros and Cons of Biofuels: PEP members supported the need for more rigorous analysis of the pros and cons of biofuels viz à viz other agriculture, environment concerns, and poverty reduction. Contact Myo Thant (mthant@adb.org).
- Rising Food Prices: The potential environmental causes of stagnant/falling agricultural productivity in the developing world suggest an urgent area for potential involvement for PEP members. Contact William James (wjames@adb.org)
- UN Summit: PEP members welcomed that “environmental sustainability” (tied to MDG7) will be one of three roundtables for heads of state at the upcoming MDGs Summit. It was proposed that PEP could organize a side event and distribute past PEP material. Contact UNDP, Usman Iftikhar usman.iftikhar@undp.org and WRI, Peter Hazlewood (PHazlewood@wri.org).
- External Review of PEP: The review is progressing, finding thus far that the loose-knit group has served as a good source of information for members. PEP members who have not yet filled the survey or otherwise sent information to the review team should do so soon. Contact Ken Green (greenmankg@aol.com).
- Environment, Health and Poverty PEP Publication: This will be launched soon at a meeting to be held in Gabon, and PEP members also should inform the World Bank of how many copies their institutions would like to receive. The steps for implementing recommendations could be a theme at the next PEP meeting. Contact the World Bank for copies: mgarciarincon@worldbank.org.
- PEP Website: The website is still growing in content and popularity, with over 700 users per day. PEP members are again invited to contribute relevant documents, links, activities, institutions, etc. Contact Carmina (Yayie) Esguerra (cesguerra@adb.org).

SESSION 1: OPENING PLENARY. Chair: Nessim J. Ahmad, Director, Environment and Social Safeguard Division, ADB.

Ursula Schaefer-Preuss, Vice President for Knowledge Management and Sustainable Development, ADB, opened the meeting and gave welcoming remarks that emphasized the importance of understanding the relationships between environmental management and the efficacy of poverty reduction efforts. This was followed by two special presentations:

Community Partnership for Reducing Noise and Air Pollution—TRIKE Project—in Puerto Princesa City, Philippines, Edward Hagedorn (edwardhagedorn@gmail.com), Mayor of the city.

The project sought to promote the use of more efficient tricycle engines and sound operation practices, develop livelihood and entrepreneurial skills of tricycle drivers and operators, and strengthen local capacities on Clean Air Act enforcement. These were pursued through preventive maintenance, engine mechanics, and livelihood development programs, capacity building for law enforcement, and seed money for a micro-credit fund. Lessons learned were that a comprehensive study is necessary for informed decisions; stakeholders’ involvement and commitment on the identification and prioritization of strategies is important to promote cooperation and coordination, and transparency should be maintained at all levels of implementation.

An NGO perspective on Addressing Poverty and Environment, Timothy Geer, World Wide Fund for Nature (WWF).

The presentation outlined three steps for NGO success—understand, engage, influence. Key factors described were

- How to effectively manage risk and manage change? Spatial planning: realities in infrastructure, urbanization, transport, extractives, agriculture. (e.g., In the Heart of Borneo Initiative, we have to address land-use planning around protected areas as a part of programming)
- How to secure global public goods? Crucial in project life cycle planning to *understand* control in the short, medium, and long term. Each actor must consider his/her added value.
- Create demand for public goods and political processes that support implementation. Build on and engage underlying partnerships.
- Will this initiative improve individuals' lives? For example, the Coral Triangle Initiative stresses not only conservation but livelihoods and food security; this enables initiative to appeal to a broader group of stakeholders.

The presentation ended with a 30-second movie showing the startling decline of the Arctic ice pack from 1980 to the present.

David McCauley (dmccauley@adb.org), Principal Environment Specialist, ADB, then outlined the meeting objectives and agenda. Objectives were:

- Lessons from the field: Capture and present examples, principally from Asia, that can be replicated on through in-depth discussions on three core issues for PEP:
 - natural resources and livelihoods
 - vulnerable communities, disaster and climate change
 - environment and issues facing the urban poor
- climate change and poverty reduction: policy and programming implications
- environmental finance: ensuring a pro-poor stance
- emerging issues: relevance of/to poverty-environment considerations; food security, bio-safety, agricultural planning
- PEP review and PEI planning

The full agenda, presentations, and participants list are available on the PEP website www.povertyenvironment.net/pep

SESSION 2: EXAMINING POINTS OF INTERVENTION AND SCALE FOR POVERTY REDUCTION AND ENVIRONMENTAL IMPROVEMENT ACTIONS

SESSION 2a: The Programmatic Approach. Chair: Christer Holtsberg, Swedish International Development Cooperation Agency.

Use of the Programmatic Approach by GEF: Global and Local Benefits, Lily Hale (Lhale@thegef.org), Global Environment Facility.

- GEF principles: country-owned, catalytic, transparent, cost-effective
- 5 areas: climate change, land degradation, international waters, persistent organic pollutants, and multi-focal
- Reasons for the programmatic approach are:

- Impact on the global environment and outcomes can be better monitored and evaluated compared to single projects.
- More strategic and long-term approach for tackling identified gaps, needs or barriers.
- More cost-effective since multiple projects can use the same management structure, and knowledge management can take place under one strategic framework.
- Enhance GEF catalytic role provide broader replication contexts, and opportunities for leveraging co-financing
- Funding is more predictable. Agency/country risks are lower.
- The value added for countries consists of:
 - A more strategic level interaction with the GEF, (especially in the context of the RAF);
 - Enhanced opportunities to pool resources from various GEF focal areas;
 - Improved opportunities for horizontal and vertical integration of global environmental concerns into decision making at the national level;
 - Increased opportunities to coordinate and mobilize co-financing nationally and from a multiplicity of sources, including donors and the private sector; and
 - Increased flow of knowledge exchange between projects, including good practices.
- Types of program funding: whole program or project by project
- Poverty reduction benefits direct or indirect but with global environmental benefits.

ADB Experience with a Programmatic Approach, David McCauley, ADB.

ADB has had experience in applying a programmatic approach to improving environmental management and reducing poverty, such as the following (by environmental challenge):

- Climate Change – ALGAS, the Asia Least Cost GHG Abatement Study; Climate Adaptation Program for the Pacific, Carbon Market Initiative, Climate Change Adaptation Program.
- Land Degradation – PRC-GEF Partnership on Land Degradation in Dryland Ecosystems; Central Asian Countries Initiative for Land Management (CACILM)
- River Basin Management – Central Asia Shared Waters Management (Syr Darya and Chu-Talas Basins); Greater Mekong Subregion Core Environment Program and Biodiversity Corridors Initiative
- Coastal and Marine Resources Management – Coral Reef Management Program in Indonesia (with World Bank); and the Coral Triangle Initiative

SESSION 2b: National Analyses and Interventions

Emerging PEI Experience in Asia: Bhutan, Cambodia, Viet Nam— Panel Discussion by John Horberry, UNEP; Paul Steele, UNDP; A.K.M. Khorshed Alam, Planning Commission, Bangladesh; Norbu Wangchuk, Gross National Happiness (GNH) Commission, Bhutan; Sonam Lhaden Khandu, National Environment Commission (NEC), Bhutan; Phet Pichhara, Ministry of Environment, Cambodia; Nguyen Truong Thang, Poverty and Environment Project, Viet Nam.

- The UNDP/UNEP Poverty-Environment Initiative (PEI), which emerged from PEP seeks to mainstream poverty and environment issues in national planning and takes a programmatic approach, with an operational focus.
- Environment has high priority in Bhutan. The GNH looks at development alternatives with happiness as the central issue, and has four pillars; culture is seen as important and unique and at present is one of the pillars. The NEC (there is no environment ministry

but the NEC is chaired by the Prime Minister and involves 4 ministries) has a PEI program for mainstreaming poverty-environment issues and is currently preparing guidelines; a bottom –up approach is used.

- Bangladesh is taking a programmatic approach to gender mainstreaming beyond the women’s ministry.
- In Viet Nam, poverty-environment projects involve partnerships among government, nongovernment and private sectors, and support is given to the different sectors in projects even at the village level to include poverty-environment in socioeconomic development planning. Indicators for poverty-environment are currently being considered, but bringing environment and poverty agencies together is a challenge. But a network is in place (see www.povertyandenvironment.vn)
- In Cambodia, poverty-environment issues fall within the Government’s rectangular growth strategy.

In further discussion, it was noted that

- mainstreaming poverty-environment may be easy but changing attitudes and organizations is difficult;
- priorities change with changing government administrations;
- reconciling mainstreaming natural resources management (NRM) with decentralization is difficult;
- local-level “block grants” could be used in connection with NRM.

Country Environment Analyses: New Lessons from the Philippines, Mohammed Nasimul Islam (mnislam@adb.org), ADB and Jan Bojo (jbojo@worldbank.org), World Bank

1. ADB Philippine Country Environmental Analysis (CEA)

Analyzing Trends: threats and opportunities in countries strategy—identify concerns

Consultations with NGOs, government (DNR in Philippines), and donor agencies

Principal Concerns for the Philippines:

- Forest areas: lowest forest per capita (in world?) threats from illegal logging
- Biodiversity resources: 80% of world’s biodiversity resources. Sea grasses, mangroves are threatened, hunting and exotic wildlife and marine trade
- Sanitation, polluted canals, poor irrigation
- Air pollution
- Solid waste management: 35% of urban residents are squatters
- Environment and spatial planning
- Energy and environment: climate change, renewables needed, demand management and transport planning
- Environmental emergencies: effective prevention of spills, flooding, landslides, chemical spills
- Regional environmental concerns: marine and terrestrial biodiversity, haze, risk management and response, technology

Institutional Analysis:

- Existing legislation and initiatives with broad environmental impacts (examples: Biofuels Act. Ecological Solid Waste Management Act)
- Government Capacity: agencies are required to take on monitoring and evaluation functions however lack budget and political will

CEA Challenges and Priorities:

- Focused on Institutional Strengthening for lead ENR Agency
- Increase budget for agency
- Restructuring of ENR Agency for improve response to mandate
- Major capacity building for institution
- Improved communication and information management
- Improved EIS (related to safeguard policy)

How to address the challenges:

- Complete devolution to local governments
- Mainstream integrated ecosystem planning
- Use market-based mechanisms to leverage increased support
- Support for reforestation programs, CDM, indigenous peoples
- Enhance civil society, multi-party monitoring of environmental programs

2. World Bank Country Environment Analysis for the Philippines

- Objective: to “assist rational decision making to enhance the environment”
- Approach: two steps
 - Summarize existing analyses to assist rational decision making; round up existing quantitative analysis and use this to make a case for the most cost-effective ways to improve environmental management
 - Stakeholder consultations
- Priority problems were assessed, e.g., health impact of water and sanitation was estimated at \$0.6 billion/year; losses in fisheries about the same; health effects of indoor air pollution, about \$0.3 billion/year
- Process of finding priority solutions ongoing through studies and workshops
- Need to re-think environmental institutions and to mainstream adaptation for climate change.
- Take home messages:
 - The CEA aims to make an economic case for the environment
 - Damages to human health and productivity of ecosystems are significant
 - Cost-effective solutions are available
 - It pays to take care of the environment!

In discussion of these two CEAs, DANIDA mentioned its trust fund for the World Bank on harmonizing processes, with a workshop next spring. The apparent lack of coordination between the two similar Philippine analyses was questioned. However, the two agencies are complementing each other’s activities and participate in each other’s relevant meetings. The need for universal indicators and a programmatic approach was pointed out. In reply, it was stated that there are many indicators but end results are more important.

SESSION 2c: The Value of Local Interventions. Chair: Taku Ohmura, ADB.

Sustainable Economics and Poverty Alleviation: A Man and His Heir, Antonio A. Oposa Jr. (tonyoposajr@yahoo.com), Lawyer, Philippines

The presentation, which literally had the participants on their feet, focused on both economic and moral questions concerning using consumption of resources as measures of growth, while depleting these resources irreversibly for future generations. The state of the Philippines with regard to environmental degradation and poverty was highlighted as an example of the

contradictions. The pursuit of happiness (c.f. Bhutan's GNH Commission) is, according to surveys to do with social relations, work fulfillment, and leisure. A change of mindset, particularly through education, is needed.

Update on PovertyEnvironment.Net and Introduction to Small-Group Sessions, Takashi Ohmura (tohamura@adb.org), ADB

- New features of the povertyenvironment.net website were described
- Usage is growing: more than 700 visitors and 3,000 page views per day
- Planned upgrades during 2008 include improved browsing through multi-document indexes, advanced search functions, and a rapid feedback mechanism.
- povertyenvironment.net hosts the Poverty and Environment Partnership website, which now has links to the two partnership working groups and their activities.

SESSION 3: SMALL GROUP SESSIONS—LEARNING FROM EXPERIENCE: CASE STUDIES ON INNOVATIVE ACTIONS TO REDUCE POVERTY AND IMPROVE ENVIRONMENTAL MANAGEMENT and

SESSION 4: SUMMARY REPORTS AT PLENARY FROM THE SMALL GROUP SESSIONS

Group 1: Natural Resources Management and Sustainable Livelihoods—Local Interventions. Chair: John Eby, CIDA.

There were five presentations:

Pilot Biodiversity Program for Lam Dong Province of Viet Nam, Nao Ikemoto (nikemoto@adb.org), Environment Specialist, Southeast Asia Department, ADB

Innovative Actions for Community Based Water Management and Education Project-Papua New Guinea, Ben Ngava (livelearn@global.net.pg), Program Manager, Live and Learn Environmental Education, Papua New Guinea

From Community Forestry to Integrated Landscape Management in Nepal, John Soussan (john.soussan@sei.se), Director, Water Programme, Stockholm Environment Institute

Empowering Communities for Building Sustainable Alternative Livelihoods -- Case Studies from APFED Programs by Masanori Kobayashi (m-kobayashi@iges.or.jp), Coordinator, Institute for Global Environment Strategies

Designing and Implementing Payments for Environmental Services: Poverty-Environment Concerns, Ma. Eugenia C. Bennagen (bennagen@skydsl.com.ph), Consultant, Resources, Environment and Economics Center for Studies, Inc.

Summary Report: Group 1. John Eby, CIDA

- Communities mobilize in response to something important to them.
- In order to create a sense of ownership, stakeholders must be included in the development of their own resources and process.
- Bottom-up approach is important.
- Projects are long-term processes. Realistic time and resources should be allowed for within activities. They should not also be rushed and must consider the timeline and capacities and skills of the stakeholders.
- There is a need to create evaluation methods to measure outcomes that are cannot be realized immediately or sometimes not concrete. Lack of indicators a common issue.
- Constant communication and collaboration with local authorities

- Adapt to the changing needs of communities by being flexible; Generic approaches may not always be effective.

Group 2: Natural Resources Management and Sustainable Livelihoods—National Lessons and Actions. Chair: Bartlet Edes, ADB

The four presentations were:

Recent experience in Natural Resource Management and Sustainable Livelihoods in Pakistan: Environmental Rehabilitation in Northern Pakistan, Usman Iftikhar (usman.iftikhar@undp.org), UNDP

Payment for Ecological Services: Examples and Perspectives from WWF, Richard McNally (richard.mcnally@wwfgreatermekong.org), WWF

Making Conservation People's Choice, Patricia Zurita (p.zurita@conservation.org), Conservation International

Biodiversity, Human Well Being and Health in the Philippines, Rowena Boquiren (rboquiren@conservation.org), Conservation International

Summary Report: Group 2. Bartlet Edes, ADB

- Numbers count:
 - Disaggregating data is important (overall results can mask important differences among groups)
 - Income does not tell you everything
 - Data are essential to formulating conservation agreements (commitments to action, how much communities will be paid)
 - Lack of measurement can have major impacts on policy
- People count:
 - Support of key authorities is important, but communities also produce champions
 - Close engagement with communities is essential to formulating projects that are relevant to their needs
 - Coming to an understanding of individual incentives is important (payment for ecosystem services, conservation agreements)
 - Success at local level can stimulate replication horizontally (from village to village) as well as nationally
- Building alliances
 - NGOs are laboratories of innovation
 - Where have all the rural development specialists gone?
 - Don't forget the business community

Group 3: Building Resilience to Environmental and Social Vulnerabilities. Chair: Gunilla Wingqvist, SIDA

There were four presentations:

Enhancing Human Security, the Environment, and Disaster Management: Central Viet Nam, Kathleen McLaughlin (kathleenm@ceci.ca), Centre for International Studies and Cooperation for Equitable and Sustainable Human Development

Lessons Learned from the Reconstruction of Aceh, Ashley Bansgrove (abansgro@uvic.ca), Environmental Safeguards Advisor, ADB

Poverty, Climate and Environmental Mainstreaming in Bangladesh, A.K.M. Khorshed Alam (akmkal@yahoo.com), Planning Commission, Bangladesh; Aminul Islam (aminul.islam@undp.org), Assistant Country Director, UNDP Bangladesh

Project on Developing Agricultural Insurance in Viet Nam, Tran Thanh Ha (tranthanhha@mof.gov.vn), Department of Insurance, Viet Nam

Summary Report: Group 3. Gunilla Winfqvist, SIDA

- Ministries of planning and/or finance, not solely the ministry of environment, should lead the mainstreaming efforts of environment-climate change-poverty
- Planning and budgeting is key to mainstreaming - public investments are needed
- Using economic information (e.g. impacts of climate change on economy) is useful to encourage political will and to promote pro-poor growth based on e.g. climate change resilience
- Stakeholder participation is crucial to the planning process
- Cross-sectoral integration is essential
- Use experiences from local levels on the national level
- Strengthen local authorities and communities; for sustainability, use existing structures and learn from best practices
- Balance the need for environmental planning and economic recovery

Group 4: Urban Environmental Management and Quality of Life for the Poor. Chair: Anita M. Celdran, Sustainable Project Management Philippines.

The four presentations were:

Groundwater Remediation, Kanpur, India: A Case Study, Rajiv Kumar Singh (rsingh@rediffmail.com), Central Pollution Control Board (CPBC), Ministry of Environment & Forests, India; Marlo Mendoza (marlobk@yahoo.com), Black Smith Institute

Smokey Mountain Remediation and Social Development Program, Anita M. Celdran (aceldran@msn.com), Sustainable Project Management Philippines

Air Pollution, Poverty, and Health in Ho Chi Minh City: Assessing Inequalities in Exposure and Health Effects, Sumi Mehta (smehta@healtheffects.org), Health Effects Institute; Vu Xuan Dan, Viet Nam

Air and Noise Pollution Reduction Strategies for Tricycle Sub-Sector in Puerto Princesa City, Jovene Sagun (joveneesagun@yahoo.com), City Administrator, Puerto Princesa, Philippines

Summary Report: Group 4. Anita M. Celdran, Sustainable Project Management Philippines.

- Groundwater Remediation, Kanpur, India
 - Strong link between international NGO and local institutions
 - Active stakeholders' involvement (vertical & horizontal)
 - Can be upscaled at low cost & short time
 - Applies only to legacy (inactive) sites
- Smokey Mountain Remediation and Social Development Program
 - Need to consider community-based organizations as a whole, not just specific project
 - Need to align incentives (income) with environmental objective
 - Strong link between international NGO and local agencies
 - Can provide model for poor neighborhood livelihood development and environmental upgrading
- Air Pollution, Poverty, and Health in Ho Chi Minh City
 - Causal factors of poor health can be determined by time/activity data
 - For replication, high quality data on air, health & socio-economic profiles required
 - Qualified and enthusiastic local collaborators also required for replication
- Air and Noise Pollution Reduction Strategies for Tricycles in Puerto Princesa
 - Comprehensive study to include social issues

- Stakeholders' involvement in planning and implementation
- Coordination mechanisms across public/private
- Incentives (subsidy, cost savings, legal)
- Demonstration of incentives
- Defined responsibility (local government unit on franchising)
- Strong interest and commitment by local governments for replication

SESSION 5: RESPONDING TO CLIMATE CHANGE WHILE REDUCING POVERTY. Chair: Merete Villum Pedersen, Ministry of Foreign Affairs, Denmark.

SESSION 5a: ADB's Adaptation Program: Poverty Implications and Emerging Responses, James Roop (jroop@adb.org), ADB.

Because the poor are most vulnerable to climate change, adaptation measures need to incorporate poverty reduction policies and practices. The example of Ho Chi Minh City, Viet Nam, was presented from the joint ADB, Japan Bank for International Cooperation, OECD, World Bank study of coastal mega-cities in Asia. ADB is in charge of the Ho Chi Minh study. Detailed mapping in relation to storm surge, flooding, and temperature rise is allowing estimates of gross annual damage from climate change. The Mekong Delta is home to 90% of Viet Nam's poor affected by climate change and percentage of poor is expected to increase from 20% to 35% by 2030; 1.5 million people will be affected by climate change in the delta, with major risks of human displacement.

The current high priority areas in the ADB adaptation program are:

- Screening projects for "climate proofing" needs
- Incorporating climate change vulnerabilities into country partnership strategies
- Sector analyses: agric/natural resources, transport, energy, urban development
- Pilot actions in vulnerable areas, such as low islands, deltas
- Vulnerable people research: climate change migrants; gender, age, ethnicity, etc.
- Staff capacity: in-house and counterpart training and awareness raising
- Adaptation financing: ADB climate change fund and small grants for adaptation funds; climate investment funds and GEF funds.

In discussion, it was noted that good practices are hard to find and there are many facets as in all development approaches; some examples are given in an ADB publication on Climate Proofing in the Pacific Islands; priorities differ among countries, e.g., sea level rise and typhoons in Bangladesh, Viet Nam, the Philippines; drought and desertification in Central Asia and western PRC.

SESSION 5b: GEF Adaptation Funds: Emerging Trends and Links to Poverty Reduction, Lily Hale (Lhale@thegef.org), GEF.

The GEF supports interventions that increase resilience to the adverse impacts of climate change on vulnerable countries, sectors, and communities. The rationale is that the adverse impacts of climate change impose an additional cost on vulnerable countries to meet their development goals. GEF supplies the funding to overcome this additional cost. Total funds committed for adaptation are \$320 million, through a suite of complementary funds

- Strategic Priority on Adaptation (SPA) – Under the GEF Trust Fund, SPA projects should show how adaptation planning and assessment can be practically translated into projects that provide global environmental benefits

- Least Developed Countries Fund (LDCF) – LDCF projects support the implementation of National Adaptation Plans of Action (NAPAs) that identify urgent and immediate adaptation needs for local benefit in non-Annex I parties
- Special Climate Change Fund (SCCF) – SCCF adaptation projects support the implementation of adaptation actions
- Adaptation Fund (AF) – Approved by the UNFCCC COP and financed under the Kyoto Protocol through a 2% levy on CERs generated by the CDM, the AF will support adaptation projects in developing countries.

In discussion, it was noted that GEF works closely with country development plans; programs should be linked to national planning; there are many climate actors; large funds are available for “development” and adaptation is a development not an environmental issue.

SESSION 5c: OECD Guidance on Integrating Adaptation into Development Cooperation, Remi Paris, OECD.

OECD is also a multilateral donor and source of statistical information on all aid including the 3 conventions. OECD takes the view that climate change adaptation is a development issue and their approach is both top-down and bottom-up.

- Formally targeted at members of the OECD Development Assistance Committee
- In line with Paris Declaration on Aid Effectiveness, the Guidance seeks to align donor support with the strategies, institutions and procedures of partner countries.
- Whole of government approach to integrating adaptation, structured around hierarchy of existing decision processes in partner countries at the national, sectoral, project, urban, and rural level.

The key concepts are seeking intervention points where risks need to be considered and adaptation can be integrated; identifying appropriate new policies and those needing revision to reduce climate risks; and screening strategies and plans to reduce risk and improve adaptation. At present, the USAID Publication on Climate Adaptation at the Project level is very good in terms of best practices. The OECD Guidance is scheduled for completion in late 2008, for approval by DAC in mid-2009; and in-depth sectoral guidance, possibly pilot activities to operationalize the Guidance in 2009-2010.

Points raised in response to questions were that OECD is identifying uncertainty gaps and providing capacity development to fill them; Guidance not confined to climate change in projections; a large amount of new money is being pledged for adaptation. Much adaptation comes under the heading of normal development planning and OECD looks at areas where normal development funds are not enough to cope for poverty reduction.

The chair suggested that a potential PEP project could be on how to include climate change issues without suffocating environmental concerns. He mentioned two concerns that could be taken up at the next PEP: information sharing on best practices or ‘how to’ for climate and adaptation, and reconciling these new challenges with our institutional mandates.

SESSION 5d: Making Reduced Emission from Deforestation and Degradation (REDD) Work for the Poor: A PEP Initiative, David McCauley (dmcauley@adb.org), ADB; David Huberman (david.huberman@iucn.org), IUCN; and Leo Peskett (l.peskett@odi.org.uk), Overseas Development Institute.

Pro-Poor REDD is a very active PEP working group, begun after PEP-11 in Copenhagen as a marriage between the climate change and payment for ecosystem services groups. It has developed a framework incorporating insights from the forest-poverty links, lessons learned

about the carbon market and land-use change, and policy alternatives regarding the REDD debate and presented it at Forest Day at the Bali conference. The next steps are wider endorsement of new technical paper by PEP and production of guidelines for pro-poor REDD and demonstration REDD projects.

There are a number of reasons to ensure that REDD works for the poor:

- Imperative of generating local benefits in developing countries
- Improved sustainability of REDD in the long term
- Risk reduction in projects and for investors and buyers
- Potential for increased market returns and creation of “niche” markets
- Political motivation
- Contractual/legal obligations of some donor organizations

Poverty reduction needs to be an explicit goal of REDD; the ODI presentation outlined many ways for making REDD work for the poor, from information provision to developing standards to strengthening legal systems. There has been little rigorous analysis of poverty implications so far. PEP could take a role in developing guidelines, standards and methodologies, monitoring demonstration activities, through pilot activities or in further research.

Design issues for REDD: how to establish baselines, fund vs. market-based approaches made by countries, NGOs and the private sector.

- Deforestation or deforestation plus degradation
- Inside or outside UNFCCC
- Market or fund based
- Liability management
- Spatial scale
- Voluntary or regulated
- Baselines

Cross-cutting implications of REDD

- National vs. project based approaches will have a significant impact on the poor—how will finance be managed in country? How will the new financial flow feed into national development plans for poverty reduction?
- Decisions on rules governing the system—definition of forests, degradation, land use change will all impact the poor
- Volumes of finance for different market systems will be widely different
- Reference scenarios will also have a wide impact—what determines the baseline?

Issues/Risks

- Effects on food and commodity prices—land use and fuel wood prices
- Knowledge and interpretation costs
- Benefit sharing
- Information asymmetry between buyers and sellers
- Role of ‘carbon rights’ restrictions on land use options
- High compliance costs

Top recommendations:

- Information provision and transparency will be essential between buyers and sellers
- Provisions of upfront financing and other mechanisms to reduce cost (e.g. upfront selling)

- Liability arrangements: ‘soft enforcement’ buyers taking on more risks, carbon pooling instruments
- Poverty reduction needs to be an explicit goal of REDD not just an add on
- Technical assistance on opportunity costs (esp. for smaller producers) of entering into the REDD system
- Strengthen legal framework ‘carbon rights’ for how land can be managed over the long-term
- Flexibility to respond to changing systems
- Design of national REDD standards
- Ensure broad participation in design and implementation
- Avoid perverse incentives (in-migration where land values increase because of REDD)
- Third-party verification
- Equitable redistribution mechanisms.

In discussion, it was suggested that REDD could complement other activities tied to adaptation, such as mangrove conservation; there are many facets and several parallel REDD tracks are moving; a clearer message on poverty and REDD is needed; a PEP contribution could be a short initial paper; however, while multilaterals may agree, bilaterals may be cautious of taking a particular stance in REDD; nevertheless, the REDD paper should be considered for joint PEP publication.

SESSION 6: ENVIRONMENTAL FINANCING: LATEST THINKING AND DEVELOPMENTS

SESSION 6a: Climate Investment Funds, Woochong Um (wcum@adb.org), Director, Energy, Water and Transportation Division, Regional and Sustainable Development Department, ADB.

- Bali Action Plan calls for “the provision of new and **additional** resources, including **official** and concessional funding for developing country Parties”
- Supported by UK, US, and Japan
- Focus on a small number of “high impact countries” and “transformational” programs
- Collaboration among multilateral development banks (ADB, AfDB, EBRD, IADB, and WB)
- Clear recognition in proposals that CIF is not to preempt or prejudice UNFCCC negotiations on the future of the climate change regime
- Sunset clause tightened to provide that funds will conclude once a new financial architecture is established.
- Clean Technology Fund – Transform to Low Carbon Economy (Provide Lessons to Contribute to the UNFCCC Negotiations)
- Strategic Climate Fund – Accelerating and scaling up climate resilient investments, forest and others
- Next steps are that the World Bank will establish the fund as Trustee in July 08; partnership forum in September; operationalize with establishment of Trust Fund Committee; initiate joint programming.

Comments included concern about crowding out the private sector; timing of the “sunset” clause on the CIF (2012?); the focus on climate change should not come at the expense of poverty reduction—climate change is taken as an added factor, not a separate issue.

SESSION 6b: The New Financing Architecture for the Environment – and Some Associated Issues, Timothy Geer (tgeer@wwfint.org), WWF.

Many new climate funds have been created recently—12 in the last 12 months; their combined funding dwarfs GEF.

- A concern: Climate Change funding must not reinvent aid. Balance is needed between global public goods, environmental security, and development options.
- Keep coherence with MDGs, national development strategies (incl poverty reduction strategies), aid effectiveness (Paris Principles), and aid modalities (joint assistance strategies). Other than MDGs, these are all lacking at the global level and represent a “missing link.”
- Do not create new mechanisms (How can Pacific nations, e.g., cope with 15 new fund mechanisms?)
- Global Climate Change Funds won’t be successful without adherence to accepted principles and without operational harmonization, coordination and coherence.

One comment was that climate funds could learn from the health sector, but it is far advanced (with WHO, etc). As mentioned earlier, capacity development to absorb new funds is essential, along with best practices; if not the benefits will be short lived. The high investment costs of e.g. CDM funds was cited as a barrier. Most was going to government; there needs to be a way for civil society to access global funds. It was pointed out that in future, funds may provide up-front funding to enable project development. Given that effects of climate change are already here, emergency funds are needed and small producers need help to create even small forests; new ideas are needed to address these small actors.

SESSION 6c: Survey of Financial Commitments to Climate Change and Forestry, Yasushi Hibi (y.hibi@conservation.org), Conservation International on behalf of Ben Vitale, Conservation International.

The contribution to climate change of deforestation was described. Forest carbon projects can contribute to poverty reduction and sustainable livelihoods:

- Communities derive economic and health benefits from participating in project activities
- Linking enhanced agriculture to forest carbon projects (one of several multi-benefits)

Climate change funding for forests comes from both public sector and regulated and voluntary carbon market investments. The World Bank is by far the largest contributor through several funds. Key capacity development programs are the World Bank Carbon Finance Assist program, United Nations Environment Programme (CASCADe program), and Forest Governance (not new climate change funding)—European Union Forest Law Enforcement Governance and Trade (FLEGT) and United States Initiative Against Illegal Logging.

In the regulatory carbon market, very little funding reaches forests and most funds go to the less poor. The situation is better in the voluntary market but capacity development is a big gap; recent REDD capacity building funding is mostly focused at the national level; and funds are not directed at start-up forest carbon projects. Conservation International’s new Conservation and Community Carbon Facility was highlighted. “Take home” messages from the presentation were:

- Increased funding is needed to support “on the ground” forest-carbon project design and implementation capacity that will complement national-level efforts and enable communities to access the growing carbon market.
- The growing carbon market could be a source of increased adaptation funding:
- Increased funding is needed to fund scientific research on the adaptation value of native forests to support local communities.

The discussion brought out other funding sources, such as biodiversity and sustainable development; debt-for-nature swaps are also active, although usually environment-based. ODI took part in a joint study of environment capacity development (case studies—see their website), which showed why countries should make environmental protection a core part of government business. These are good PEP examples.

SESSION 7: BIOFUELS AND FOOD SECURITY

SESSION 7a: Biofuel Options for Asia and their Poverty Implications, Myo Thant, ADB (mthant@adb.org).

Topics raised included poverty dimensions of biofuels development in Asia; reasons for biofuel uptake—energy security, environmental protection, and rural development, depending on country priorities; food versus fuel and their roles in rural development; causation—or lack of it—between biofuels development and food price increases; the potentials and benefits of biofuels and the many remaining uncertainties; importance of technologies and trade; and the crucial need for sound policy setting, backed by evidence and informed debate. In discussion, there seemed to be little available analysis available of the viability and impacts of biofuels development on marginal lands in Asia.

SESSION 7b: Soaring Food Prices: Poverty and Environment Implications, William James, ADB (wjames@adb.org).

The price explosion of the main regional staples, rice and wheat, beginning near the end of 2007 into the first 5 months of 2008 has threatened to reverse poverty reduction and has driven up inflation across the region. Global grain stocks have declined over the last eight years reflecting the fact that consumption has outstripped production. The elevated prices of food are here to stay as they are mainly a result of long-term structural factors although some adverse temporary cyclical factors have made matters worse. Stagnant/falling productivity of agriculture in Asia is viewed as a real concern. Food and oil price scenarios were presented showing how higher prices will increase inflation and impact growth negatively over the coming two years. Analysis of household expenditures reveals that food price inflation will increase headcount poverty incidence and worsen income inequality significantly. Inclusive growth policies can mitigate the immediate impact on the poor and elicit a supply response in the near-term crop season and then provide long-term productivity gains that will help mitigate the high prices over the medium to long term. In discussion, it was felt that the investors' portfolio shift out of equities and bonds and into commodity futures would correct itself in time. Also farmers need to be aware of market signals and trade needs to remain open so that surpluses can be delivered to areas in deficit. Incentives are necessary to make sure farmers benefit from the higher prices. Overall, the 2008 rice spike from \$600 to \$1,000 per bushel was seen as cyclical, driven by panic buying and beggar thy neighbor trade restrictions such as export bans, while the rise from \$200 to \$600 that preceded it was seen as structural (and long predicted by FAO) and unlikely to be reversed.

SESSION 8: MDGs AND THE ENVIRONMENT

Chair: Gareth Martin, UK Department for International Development (DFID)

SESSION 8a: Environmental Poverty: New Perspectives in Development Programming, Armin Bauer, ADB (abauer@adb.org).

A presentation was made on a draft summary paper being prepared by ADB with its Poverty Unit as lead on *The Environments of the Poor*. Following a spatial approach, the report estimates that by 2020 about 70% of those living on \$1 or less per day (up from 53% in 2005) will have their poverty directly related to environmental degradation. “Environmental poverty” is analyzed in geographical regions (comprising the dryland poor, the upland poor, the coastal poor, the flood-affected wetland poor, and the slum poor), and this differs from the “ecozones approach” as it analyzes poverty from the environmental as well as socio-economic and institutional dimension focusing on the poor people’s (rather than the natural environment) perspective. Implications for policy interventions drawn from this analysis do not concentrate on environmental or natural resources development programs but rather explore possibly greater impact through support for other sectors (such as infrastructure) or through addressing social and economic issues in the respective environmental poverty areas such as mobility/migration or social protection. Climate change is seen as an aggravating but not significantly causing poverty in the short run. The paper further challenges the current climate change and globalization debate (especially in the context of the food and fuel prices) by analyzing impacts on the poor and questioning whether the redirection of development aid for climate change projects actually diverts funds from pursuing directly the poverty reduction agenda. The presentation made suggestions on revising indicators for MDGs 7 and 8 to include time bound and quantifiable targets and indicators tied to the environments of the poor (especially the dryland and slum poor) as well as poverty relevant climate change targets. The conference discussion suggested strengthening environmental links to all MDGs and supported the need for a more location specific approach to address environmental poverty. It was also stated that making the MDG 7 indicators and targets more relevant may be difficult, given the current preparations for the October 2008 global MDG conference at the mid-term through 2015.

SESSION 8b: Preparing for the MDGs Summit and Treatment of Goal 7. Usman Iftikhar, UNDP (usman.iftikhar@undp.org).

A high level and summit meeting on MDGs is set for September 2008 in New York. MDG progress in the first half of the MDG achievement period will be reviewed, and it will be seen to have been uneven. The key message of the meeting will be “Success is Still Possible”; with three themes: (i) poverty and hunger, (ii) education and health, and (iii) environmental sustainability. Some of the needs voiced by member countries are to see relevant success stories, learn how to scale them up, the costs involved, funding sources, and the role of partnerships. Member countries are expected to announce concrete plans and proposals to accelerate implementation. There will be an agreement for a comprehensive review of progress in 2010. UNDESA is coordinating background papers. There should be clear links to national development strategies and the role of international cooperation. “New” climate change money should be focused on the problems of the poor. There are several ways to influence the outcomes of the meeting, from provision of material to hosting a side event. Different levels of PEP involvement were discussed.

SESSION 9: PEP EXTERNAL REVIEW DISCUSSION

Chair: Gareth Martin, DFID (g-martin@dfid.gov.uk)

Paul Steele gave a history of PEP from the events that triggered it in 2001—the rise of the poverty agenda and change in aid structure from project to strategy.

Ken Green, who is carrying out the external review of PEP, gave an update on the mechanics and progress of the review. The draft is expected to be finished in July-August 2008, when it will

go to a core group of PEP members for comment and then for discussion at PEP-14. One comment was that the PEP was and should remain a “nomadic marketplace for information” rather than becoming formalized.

SESSION 10: WORKSHOP CLOSING

David McCauley, ADB, gave a summary wrap up of the meeting:

- There were two main themes: (i) sharing experience on poverty and environment interventions and learning from this for practical application, especially in Asia; and (ii) sharing the latest thinking on climate change programming and environmental financing and the implications for PEP concerns
- Also covered were some very current topics with clear poverty and environment links—e.g., expanding production and use of biofuels, and the global rise in food prices
- There were 10 sessions over 2.5 days, with between 60-70 participants in attendance throughout
- Local perspectives were highlighted by Mayor Hagedorn (green cities development) and Attorney Oposa (sustainable economics and poverty alleviation)
- Breakout sessions featured a variety of case studies on local interventions and their potential for replication and scaling-up.

Planning for PEP 14

SDC, following up the similar suggestion at PEP 12, offered to host the 14th PEP meeting in Geneva in November 2008, with a focus on Ecosystems, REDD, and Environmental Health. In the discussion following, it was felt that PEP meetings should be further apart, perhaps no more than annual; the environmental health book could be distributed at the next PEP meeting with a session devoted to implementing the book’s recommendations. Other agenda suggestions were to continue poverty-environment considerations in MDGs achievement, the climate change mitigation-adaptation interface, and documentation of poverty-environment activities at the local level.

Evaluation of the PEP13 Meeting

Towards the end of the meeting, participants were asked to complete a feedback form to evaluate the meeting in terms of design, content, usefulness, and overall management. Scores and comments recorded indicated a generally high rating of the meeting’s overall structure and usefulness, with those presentations which provided the most timely and relevant information appreciated most.