

PART I
Chapter 1

Introduction

“There is one final factor which will obviously be a major influence on Africa’s future economic growth. It is the environment.”

Commission for Africa, 2005

“The 21st century will be marked by a crucial debate: how can we make economic and social development compatible with the preservation of the natural environment?”

Luiz Lula de Silva, President of Brazil¹

“We recognise that the environment is not an obstacle to economic growth, but offers opportunities for sustainable growth.”

Ministerial Declaration of the Fifth Ministerial Conference on Environment and Development in Asia and the Pacific, 2005

“Environmental wealth – natural resources – is one of the main sources of growth in developing countries, and central to the livelihoods of poor people.”

Hilary Benn, Minister of Development, UK²

Generating pro-poor growth is key to achieving the Millennium Development Goals (MDGs). While it is true that the proportion of the world's poor living in towns and cities is gradually rising, three-quarters of all poor people still live in rural areas. The modest pace of urbanisation and current forecasts for urban population growth imply that most of the world's poor will still live in rural areas for many decades to come (Ravallion et al., 2007).

Poor people's livelihoods will remain heavily reliant on natural resources. Soil, water, forests and fisheries underpin commercial and subsistence activities and often provide a safety net for the poor in times of crisis. Strategies for rural poverty reduction, including pro-poor natural resource management, should remain at the centre stage for poverty reduction.

This publication provides an overview of how natural resources can generate and sustain pro-poor growth. It also examines how effective policies and investments for natural resources can support the achievement of the MDGs. The objective is to highlight the need to improve natural resource management for long-term pro-poor economic growth.

Natural resource management and poverty reduction are complex issues and there are many interdependencies. This report focuses on the economic dimensions – i.e. benefits of natural resources in terms of production, incomes, employment creation, export revenues and fiscal resources. The many non-market environmental benefits provided by natural ecosystems, their intrinsic and aesthetic value and the threats to human development posed by pollution and other forms of degradation are not addressed specifically here. Recent publications, such as the Millennium Ecosystem Assessment (2005) and “*World Resources 2005 – The Wealth of the Poor: Managing Ecosystems to Fight Poverty*”³ address these critical issues in comprehensive detail.

Similarly, issues related to climate change are not addressed here. This is not to underplay their importance. Climate change is a serious and long-term challenge to social and economic development with the potential to affect every part of the globe, and developing countries in particular. Studies on the economic damage from climate change show that developing countries are expected to experience larger percentage losses of GDP than developed countries (IPCC, 2007). It should not be considered just as an environmental issue but also as a development issue. Readers are invited to refer to the growing literature on the economic impacts and costs of climate change for a detailed coverage of these issues (see also Box 1.1).

The focus on economic dimensions of natural resource management is intended to encourage economic decision makers from development agencies and ministries of finance and planning in partner countries to recognise the contribution of natural resources to pro-poor growth and the importance of policies encouraging the sustainable management of these resources.

This publication also provides an overview of the politics of natural resources. It outlines governance-related factors that shape the management of natural resources, and

identifies the roles and influence of different stakeholders and their incentives and disincentives for sustainable natural resource use. It points to the need for innovative coalitions to drive change and promote sustainable management. Past approaches focusing on more technocratic interventions and capacity building have often overlooked these political challenges. Additionally, ways to increase policy coherence for development in natural resource management are outlined. Therefore, the publication also signals to policy makers in OECD and partner countries as well as to development co-operation agencies the need to address the political challenges of natural resource management for long-term pro-poor economic growth.

Subsequently, seven natural resources are examined which have a critical role to play in sustaining pro-poor growth: fisheries; forests; oil and minerals; nature-based tourism; soils; water; and renewable energy. These have been selected as key resources whose improved management can contribute to the growth process. To support the analysis in this paper, a number of case studies have been prepared and are available on the web (www.povertyenvironment.net/pep).

Box 1.1. **Climate change: The expected impacts on developing countries**

Developing countries are particularly vulnerable to climate change because their economies are generally more dependent on climate-sensitive sectors and natural resources (e.g. agriculture and fisheries). They are also less able to adapt as a result of limited human, institutional and financial capacities. Crop yields are projected to decrease by up to 30% in Central and South Asia by the mid-21st century; while in some African countries, yields from rain-fed agriculture could be reduced by up to 50% by 2020. Overall agricultural losses arising from impacts of climate change in Western and Central Africa and parts of the Sahara are estimated to range from 2% to 7% of GDP by 2100 (IPCC, 2007).

Notes

1. "Join Brazil in planting oil", comment, *The Guardian*, 7 March 2006.
2. Speech at New Economics Foundation, 19 January 2006, www.dfid.gov.uk/news/files/Speeches/wp2006-speeches/growth190106.asp.
3. This publication is the result of collaboration between UNDP, UNEP, the World Bank and the World Resources Institute.

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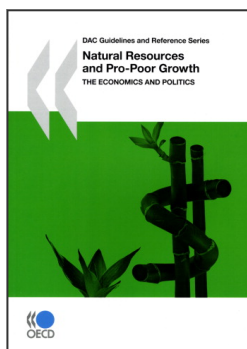
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