

# **Business, the environment and poverty reduction:**

## **Do they go together?**

Joshua Bishop, IUCN

6 October 2009

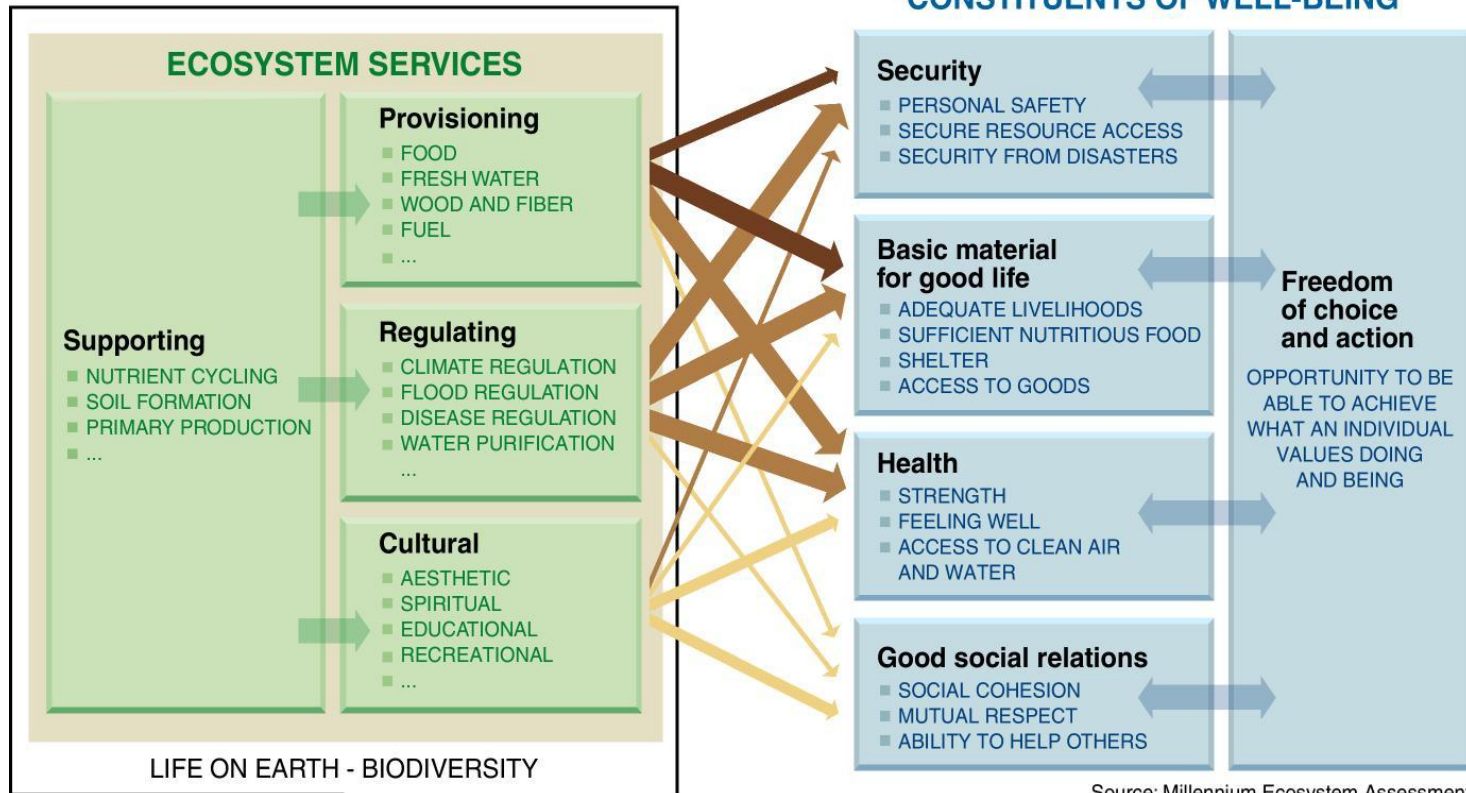
# Outline of presentation

- Environment and poverty
- Environment and business
- Putting it all together
- Research questions

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# Environment and Poverty (“Ecosystem services and human well-being”)



Source: Millennium Ecosystem Assessment

**ARROW'S COLOR**  
Potential for mediation by socioeconomic factors

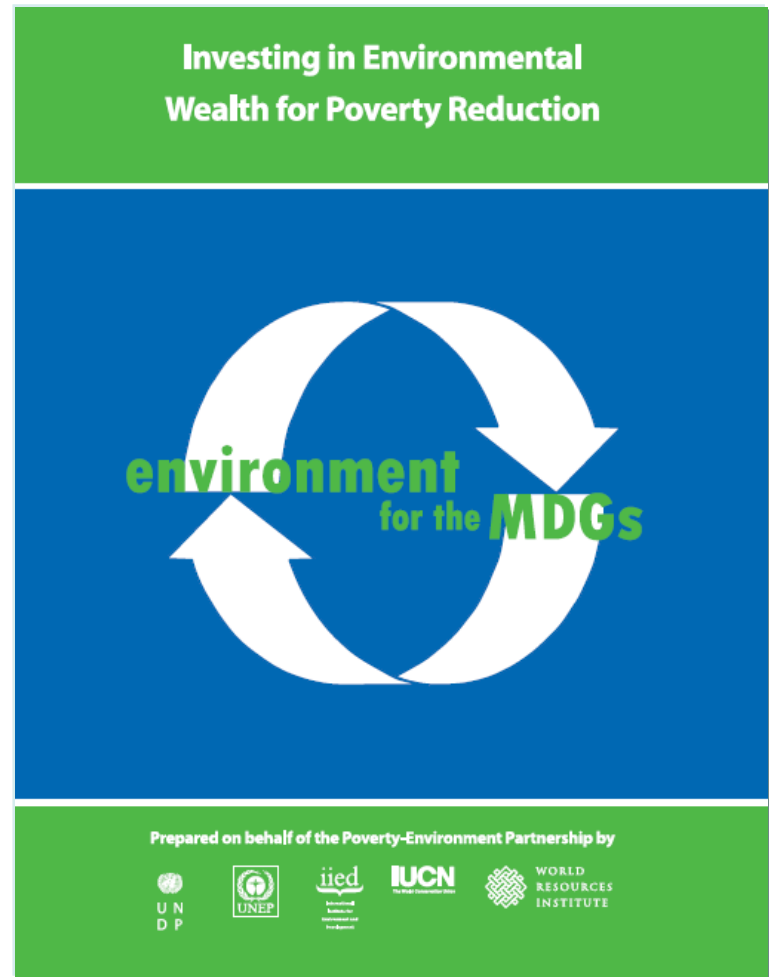
- Low
- Medium
- High

**ARROW'S WIDTH**  
Intensity of linkages between ecosystem services and human well-being

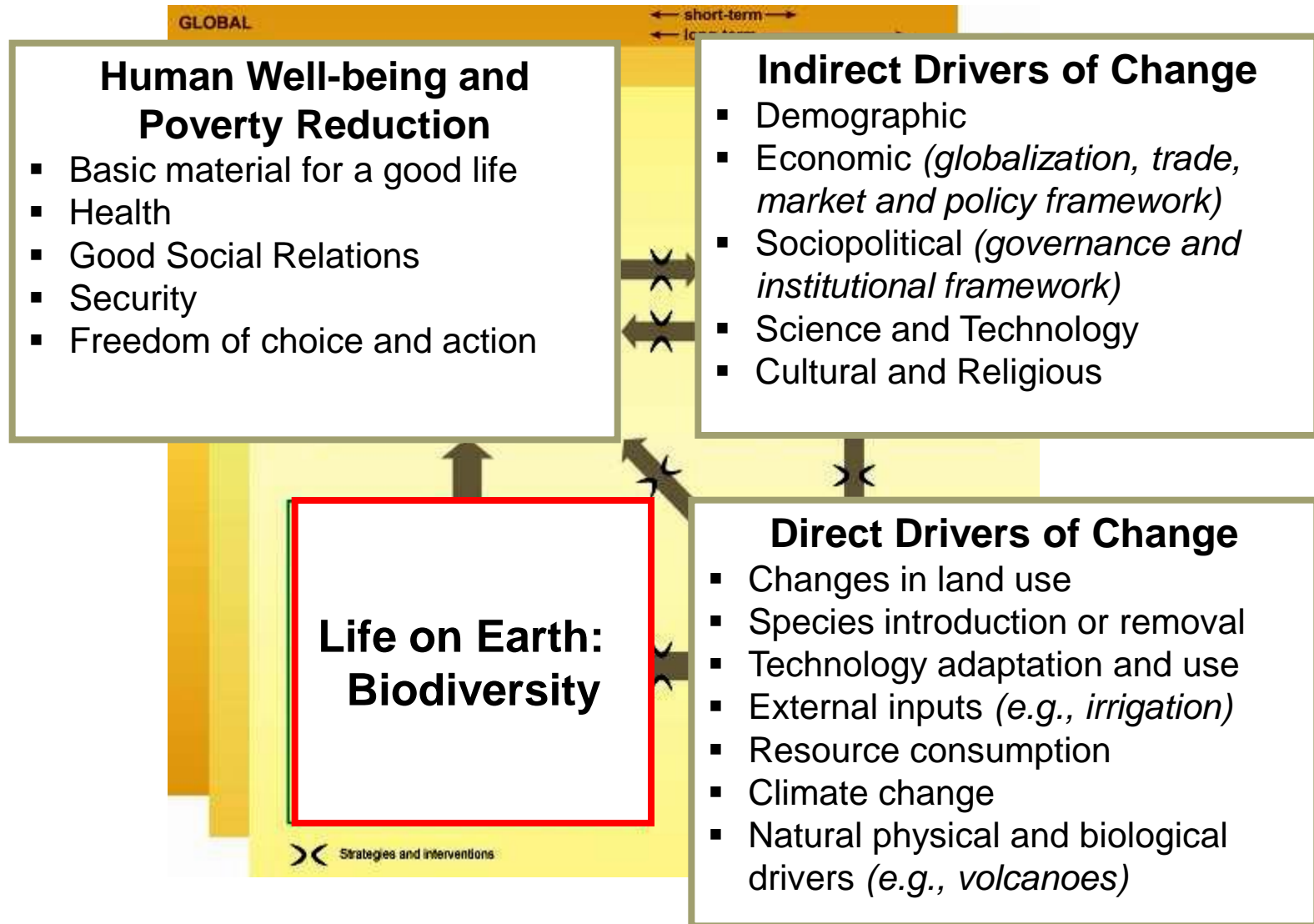
- Weak
- Medium
- Strong

# How important are environmental assets to poor people and poor countries?

- Poor households rely heavily on environmental assets
  - Forest products → 20% of household income, on average
  - Environmental factors → 20% of health problems in poor countries
- Environmental capital is a critical asset for developing economies (World Bank)
  - 26% of national wealth in non-oil exporting poor countries
  - Income growth illusory if based on 'mining' environmental assets



# Drivers of change in ecosystems & well-being

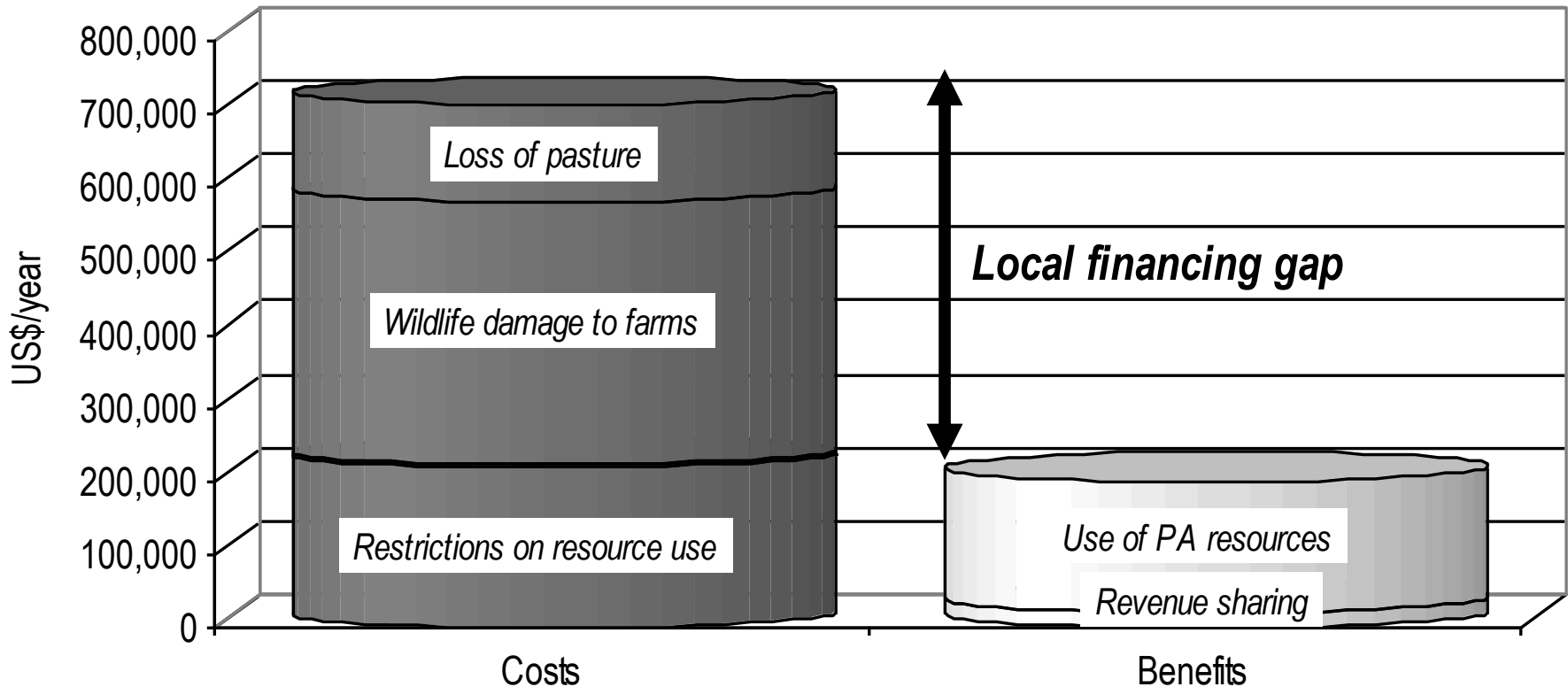


# Aligning ecosystem values and well-being (MA ‘Promising Options’)

- **Policy, Planning & Management**
- **Technologies**
- **Individual Behavior**
- **Change the Economic Incentives (*‘the problem can’t be solved so long as ecosystem services are treated as free and limitless’*)**
  - Measure ecosystem service values
  - Incorporate into cost-benefit analyses
  - Eliminate trade barriers and distorting subsidies
  - Establish payments for ecosystem services

# The opportunity costs of conservation fall heavily on the rural poor

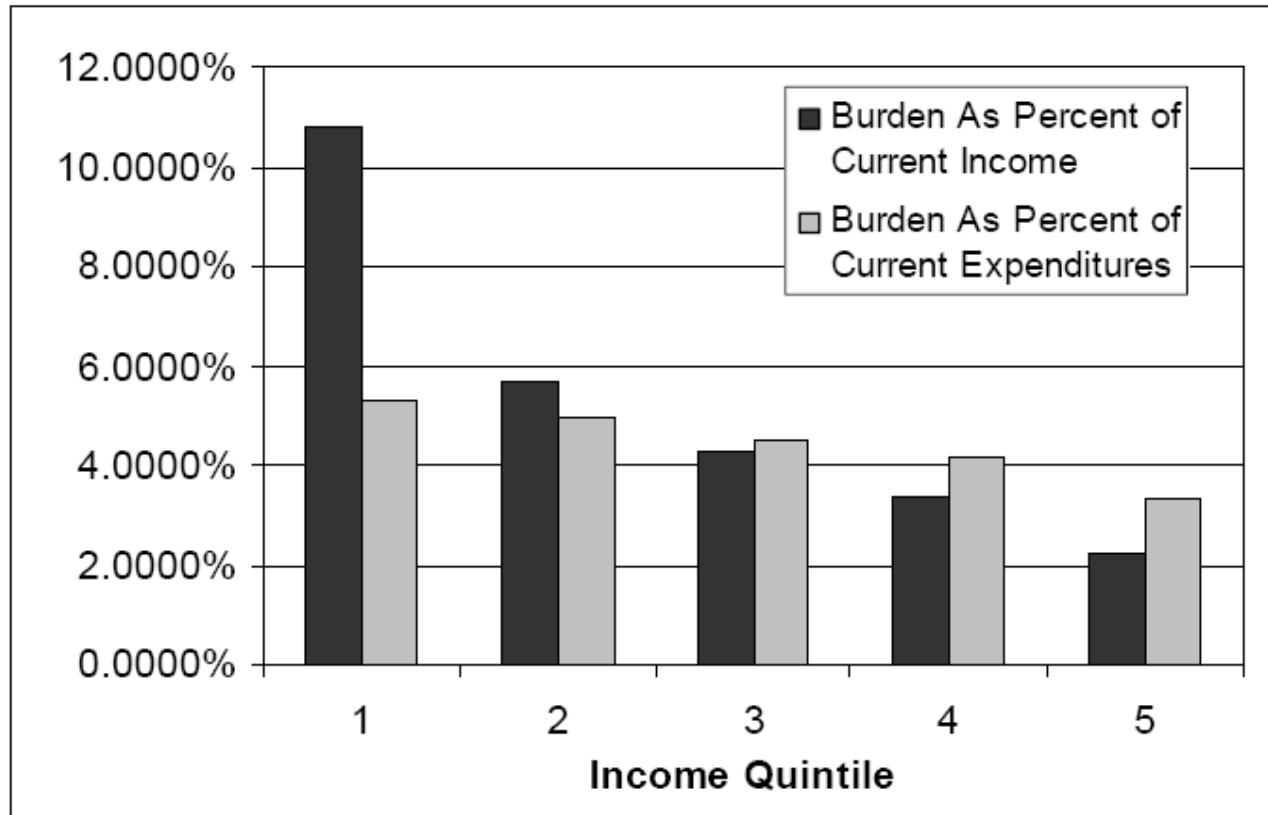
## Local costs and benefits of Lake Mburo National Park, Uganda



Source: Emerton, L. 1998. *Balancing the Opportunity Costs of Wildlife Conservation for the Communities Around Lake Mburo National Park, Uganda*. Evaluating Eden Discussion Paper EE DP 05, International Institute for Environment and Development: London.

# Pollution control may hurt the poor more

## Per-Capita Carbon Tax Burden by Income Group

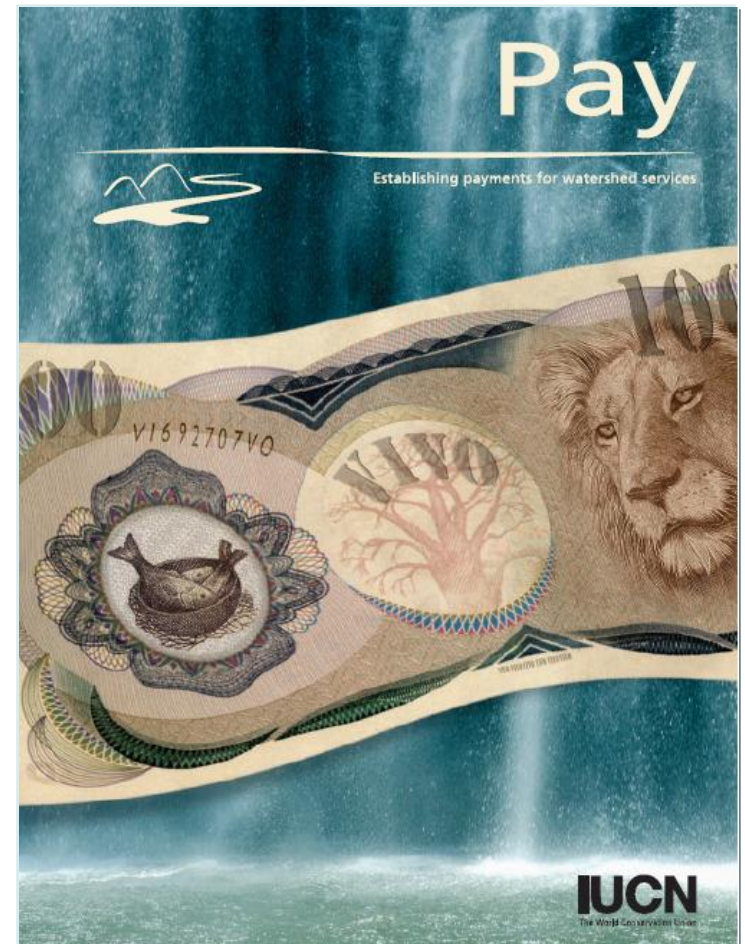


Per capita CO<sub>2</sub> tax (\$30/ton CO<sub>2</sub>e) as a percent of current income and current expenditures.

Source: Graingerr, C.A. and Kolstad, C.D. (2008) Who Pays for a Carbon Tax? Department of Economics, University of California, Santa Barbara.

# Payments for Ecosystem Services (PES): A tool for poverty reduction?

- **Potential opportunities:**
  - increase cash income
  - diversify income sources
  - reinforce social networks
  - develop new skills
- **Potential constraints:**
  - insecure property rights
  - large start-up costs
  - weak public capacity



# When are Payments for Environmental Services Beneficial to the Poor?

David Zilberman, Leslie Lipper and Nancy McCarthy. 2006.  
ESA Working Paper No. 06-04. FAO : Rome

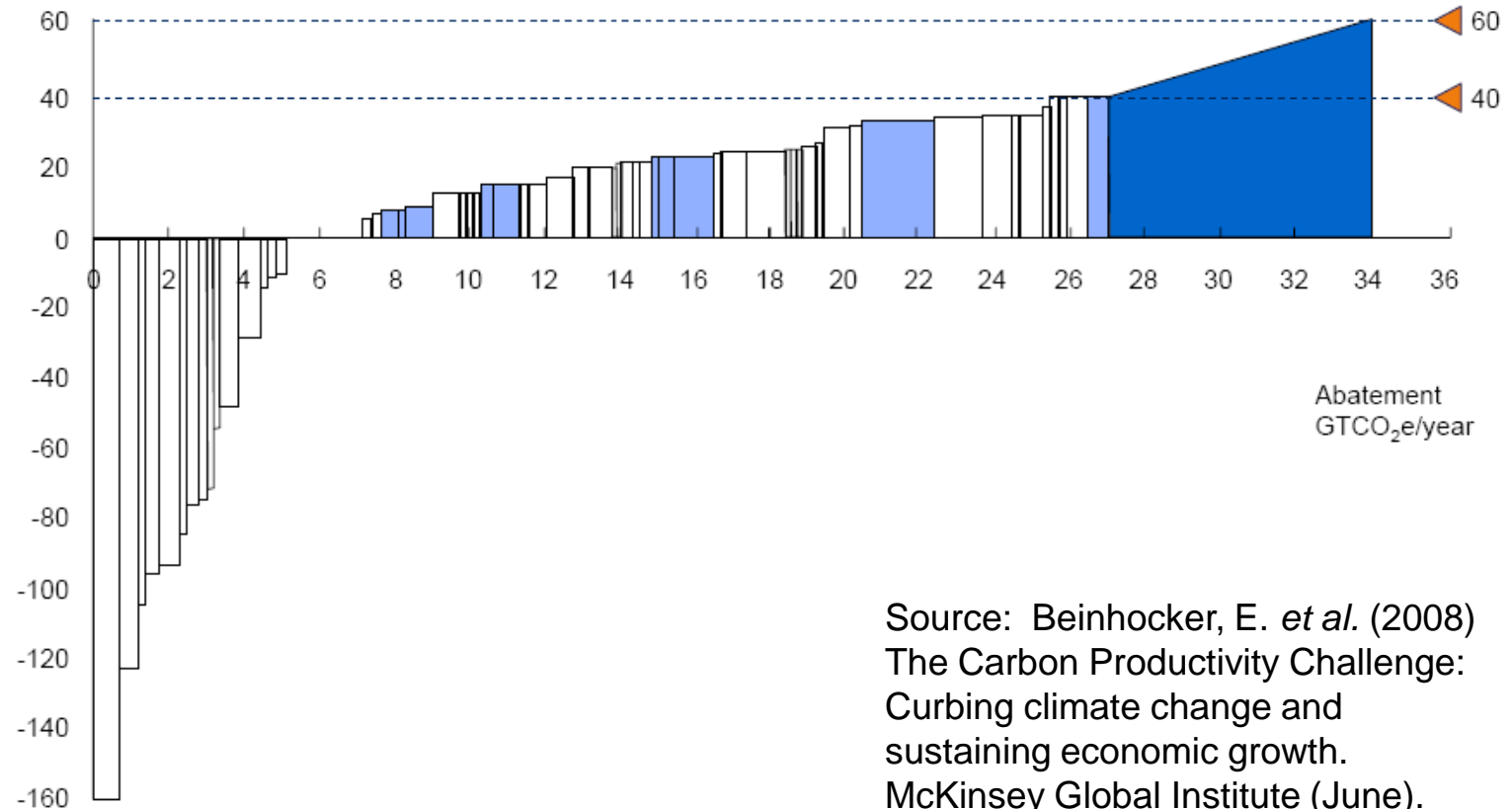
- *“PES is good for landowners and may negatively affect consumers if food demand is inelastic.”*
- *“The distribution of land matters. If small-holders depend on earnings from work on larger farms, then PES may affect them negatively.”*

# What about REDD?

## SUCCESS IN FORESTRY IS VITAL TO MEETING GLOBAL EMISSIONS REDUCTION TARGETS

Cost, €/tCO<sub>2</sub>e

- Forestry
- Additional abatement measures required to replace forestry



Source: Beinhooker, E. *et al.* (2008)  
The Carbon Productivity Challenge:  
Curbing climate change and  
sustaining economic growth.  
McKinsey Global Institute (June).

# Why pro-poor REDD?

- Moral argument but also...
- Risk reduction for investors and buyers
- Potential market demand
- Wider political support
- Donor policy requirements
- In short, improved sustainability of REDD



A Poverty Environment Partnership (PEP) Report

## Making REDD work for the Poor

Leo Peskett, David Huberman, Evan Bowen-Jones, Guy Edwards and Jessica Brown

September 2008

# Potential poverty impacts of REDD measures

Some Proposed REDD Policies and Measures	Potential Benefits	Potential Risks
Remove subsidies for deforestation and forest degradation (e.g. agric)	<ul style="list-style-type: none"> <li>• Create a more level playing field for large and small operators</li> </ul>	<ul style="list-style-type: none"> <li>• May reduce employment opportunities for the landless poor</li> <li>• May increase food prices</li> </ul>
Tax land clearance	<ul style="list-style-type: none"> <li>• Internalise environmental costs</li> </ul>	<ul style="list-style-type: none"> <li>• Needs to be applied equitably</li> </ul>
Strategic road planning	<ul style="list-style-type: none"> <li>• Reduce pressure on forest lands and resources</li> </ul>	<ul style="list-style-type: none"> <li>• Isolated (often poor) communities may be cut off from markets and services</li> </ul>
Improve forest law enforcement	<ul style="list-style-type: none"> <li>• Can enhance forest governance</li> <li>• Increase revenues to government</li> <li>• Less damage to resources on which locals depend for livelihoods</li> </ul>	<ul style="list-style-type: none"> <li>• Potential rent seeking by officials</li> <li>• Reduced access to essential forest resources, if the poor rely on illegal uses (e.g. NTFPs)</li> </ul>
Improve tenure security	<ul style="list-style-type: none"> <li>• Important if poor people are to see the benefits of investing in land (infrastructure, fertility, irrigation, tree-planting)</li> </ul>	<ul style="list-style-type: none"> <li>• Can be 'anti-poor' if it results in land grabbing by those with better access to formal titling processes (often rich)</li> </ul>

Source: Brown and Peskett (2008).

# Making REDD work for the poor (1)

- Improve transparency of information about REDD
- Make poverty reduction an explicit goal and document poverty impacts on the ground
- Define land and carbon rights clearly and strengthen local institutions to establish/enforce rights
- Consider redistribution mechanisms, where REDD financing is highly concentrated
- Instruments to bundle supply / pool risks
- Mechanisms for redress in case of failure
- Simplified standards and verification systems

# Making REDD work for the poor (2)

- Combine direct and indirect incentives (including in-kind) to distribute benefits more widely
- Integrate REDD strategies into broader sector policy (e.g. agricultural development)
- Build in flexibility to accommodate shifts in opportunity costs and changing demand for REDD credits
- Technical assistance:
  - Baseline / reference scenarios including subsistence values
  - Benefit distribution mechanisms
  - Verification of REDD delivery

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# On-going work on The Economics of Ecosystems and Biodiversity (TEEB)

## TEEB for business

1. Introduction
2. Business impacts & dependence on biodiversity
3. Measuring, valuing & reporting on biodiversity
4. Reducing biodiversity risks in business
5. Increasing biodiversity business opportunities
6. Business, biodiversity and sustainable development
7. Mainstreaming biodiversity in business



# Business impacts and dependence on biodiversity and ecosystems

- **Footprint:** some companies have direct impacts on ecosystems and biodiversity (e.g. mining, oil and gas, infrastructure)
- **Dependence:** some firms rely on ecosystem services / biodiversity for production (e.g. agriculture, fisheries, forestry, bio-technology)
- **Leverage:** impacts on biodiversity may be indirect, through supply chains or influence on business investment, production, distribution and marketing (e.g. retail distribution, banking, asset management, insurance, business services)
- **Eco-enterprise:** more and more firms are dedicated to selling ecosystem services and biodiversity-related products (e.g. eco-tourism, eco-agriculture, certified timber, bio-carbon offsets)

# Measuring, valuing and reporting on biodiversity in business

- Measuring impacts – available data, metrics, tools
- How to integrate biodiversity metrics in business operations?
- How to ‘mainstream’ biodiversity reporting in business?
  - governance, policy and strategy,
  - management and operations,
  - accounting and reporting, or
  - relations with investors and other stakeholders

# Reducing biodiversity risks: New tools for business

- **Integrated Biodiversity Assessment Tool**

- <http://www.biodiversityinfo.org/ibat/>
- Database for site-level risk assessment
- Developed by Birdlife, Conservation International, UNEP-WCMC, IUCN
- Based on World Database of Protected Areas and World Biodiversity Database



- **Business and Biodiversity Offsets Program**

- <http://www.forest-trends.org/biodiversityoffsetprogram/>
- guidance on designing and implementing biodiversity offsets to ensure “no net loss”
- Forest Trends, Wildlife Conservation Society, Conservation International and many others



- **Certification and labelling (ISEAL)**

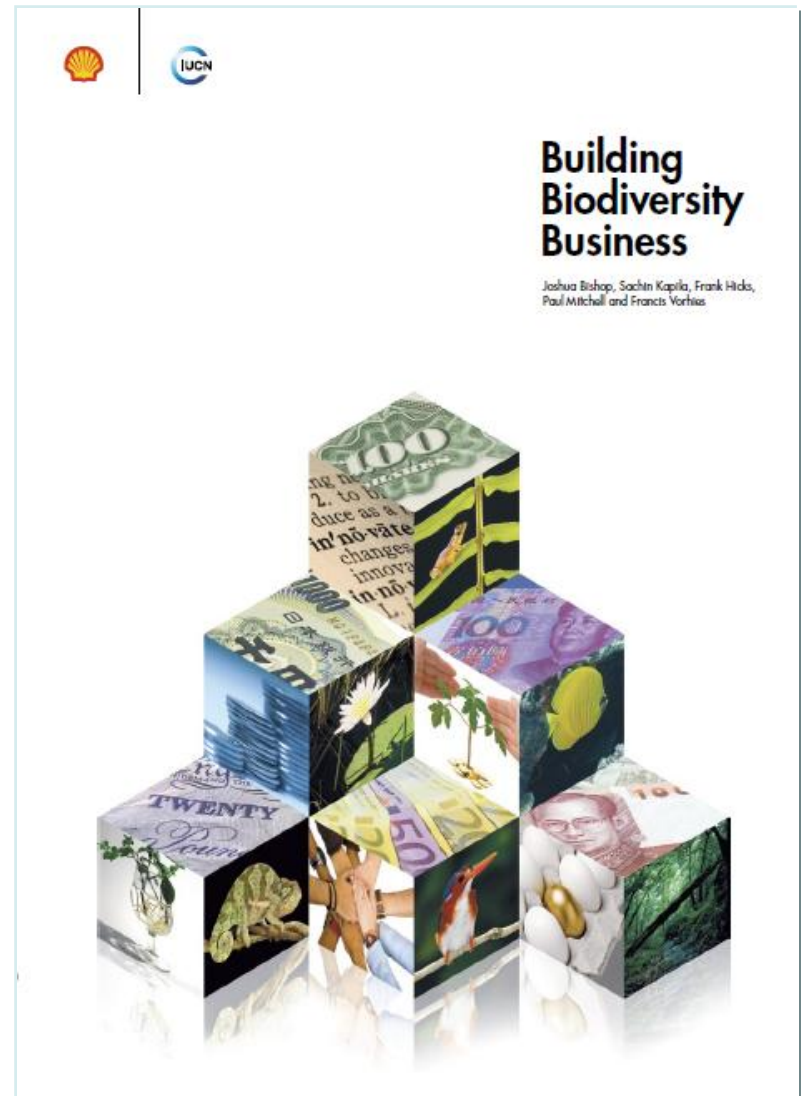
- <http://www.isealalliance.org/>
- global hub for social and environmental standards
- 8 full/founding members represent fairtrade, forest stewardship, organic agriculture, fisheries, etc.



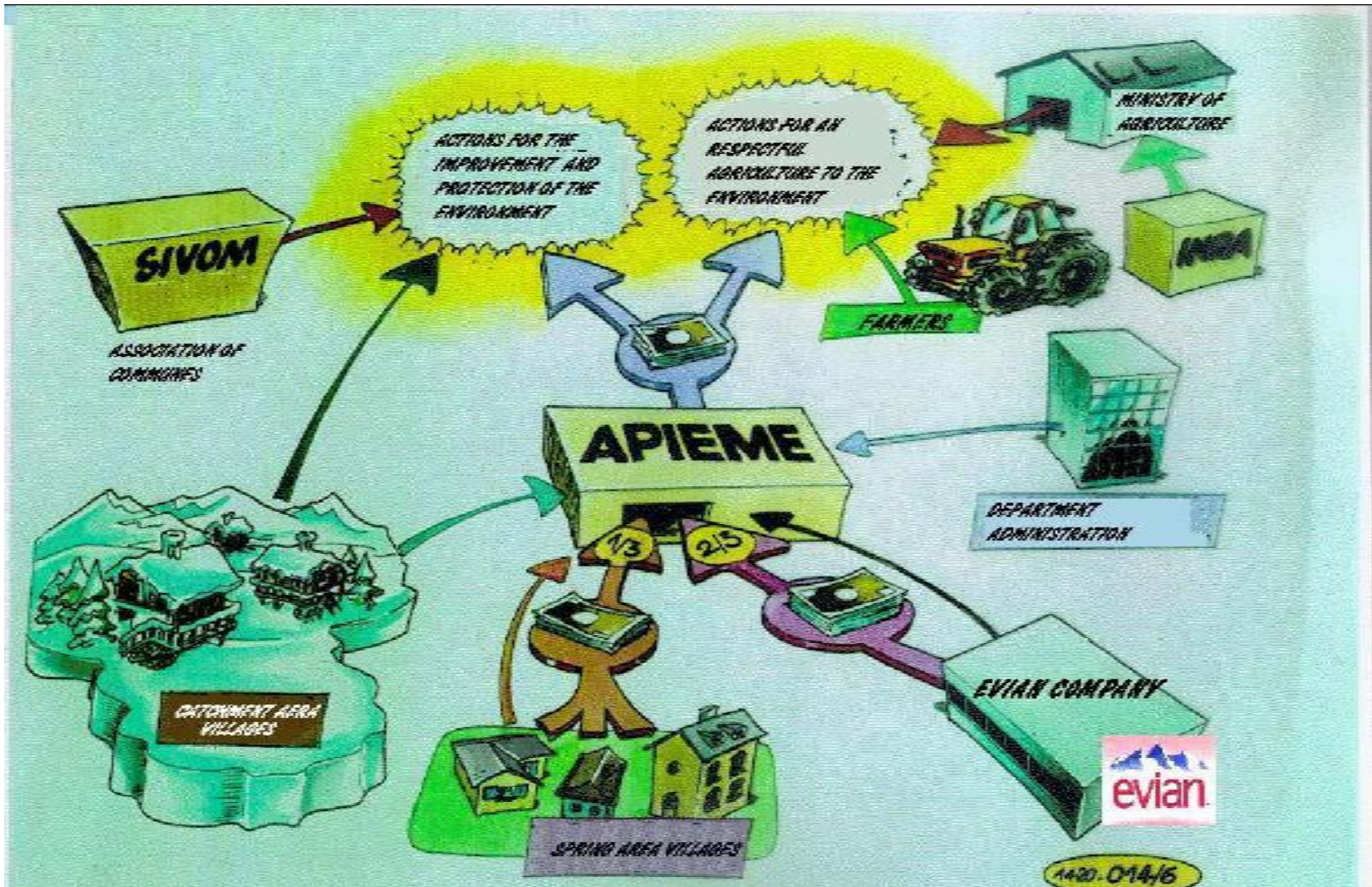
# Increasing biodiversity business opportunities

## Business drivers:

- a) Secure natural production inputs
- b) Address environmental liability
- c) Respond to consumer preferences



# Biodiversity business: (a) securing inputs



# Biodiversity business: (b) addressing liability

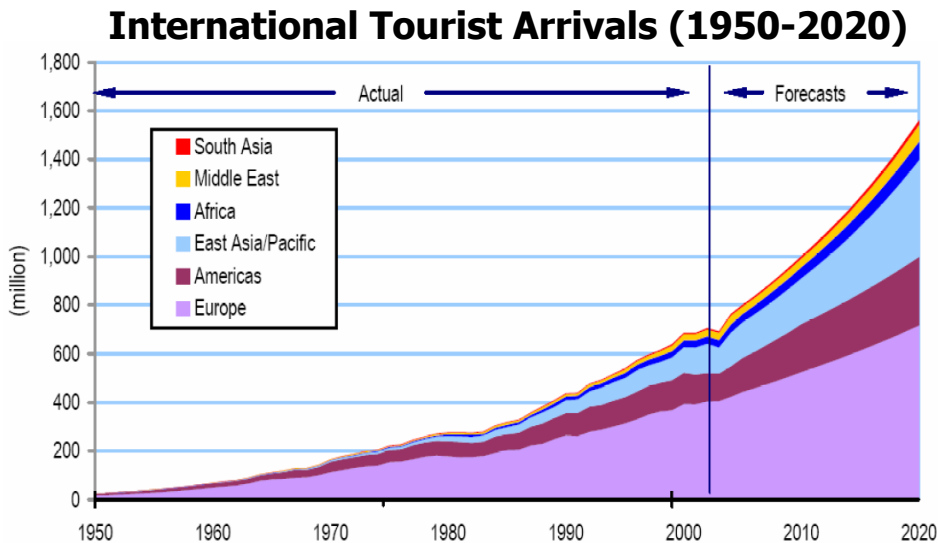
**Biodiversity offsets:** Like-for-like compensation for residual habitat loss or damage from development

**Example: CDC Biodiversité** (<http://www.cdc-biodiversite.fr/>)

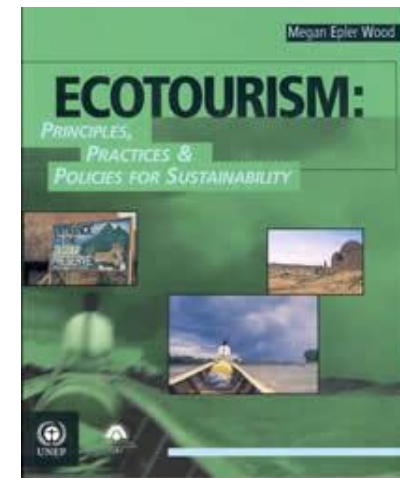
- €15 M business providing habitat/ecological compensation services to help clients meet their legal liabilities in France
- Developed out of CDC carbon offset business
- Pilot biodiversity “banks” under development in France



# Biodiversity business: (c) consumer preference



Eco-Tourism is “the fastest growing sector of the largest industry on earth”, with annual exports up to **US\$100 billion** and growing **three times faster** than other segments of the tourism sector ([www.world-tourism.org](http://www.world-tourism.org), [www.ecotourism.org](http://www.ecotourism.org))



# What is needed to mainstream biodiversity and ecosystems in business?

- **Enabling policy**

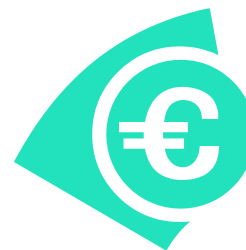
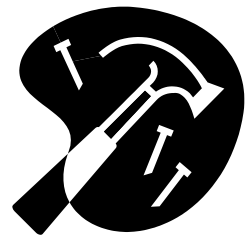
- Voluntary as well as mandatory
- Corporate, local, national, international

- **Business tools**

- Product development, quality control, supply-chain management, marketing, biodiversity reporting

- **Financing instruments**

- Grants, debt, equity



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# What business models (and what business development strategies) can:

- Conserve biodiversity and ecosystems, reduce waste and pollution, and use natural resources sustainably?

And at the same time:

- Increase economic opportunity, livelihood security, “voice and choice” for the poor?

# Business needs:

- Management talent
- Good governance/rule of law
- Affordable labour and capital costs
- Light taxes and regulatory burden
- Access to resources, technology, markets
  - infrastructure
  - intellectual property rights
  - trade and investment policy

# The environment needs:

- Better information
- Good governance/enforcement
- Internalize externalities
  - Smart regulation
  - Tax and subsidy reform
  - Liability and property rights

# **The poor need:**

- Better education (especially girls)
- Good governance/participation
- Secure rights to resources and services
- Access to technology and markets

# **On-going efforts to integrate environment, business and poverty**

- Acumen Fund
- Root Capital
- Verde Ventures
- Community Development Carbon Fund
- Climate, Community & Biodiversity Alliance
- PhytoTrade Africa
- FairWild standard
- Union of Ethical Biotrade
- Pro-poor PES

# Towards pro-poor markets for ecosystem services

Where can environmental business and markets have the greatest impact on poverty?

- Areas where the poor live (rural settings)
- Sectors the poor work in (agriculture, forestry)
- Factors of production the poor own (land, labour)
- Outputs the poor can produce (biomass)
- Markets the poor can access (food, fiber)
- Costs the poor can manage (certification)

What strategies are most effective to ensure pro-poor outcomes from market development?

- governance and the rule of law
- access to information and services
- reduce constraints on sustainable resource use
- participation of marginalized groups
- address local environmental priorities
- promote sustainable use

# Signs of progress?

- *“The Social Responsibility of Business Is to Increase Its Profits”* Milton Friedman, The New York Times Magazine, September 13, 1970.
- *“Paying attention to CSR can amount to enlightened self-interest, something that over time will help to sustain profits for shareholders”*  
The Economist, Jan 17th 2008.