



Side event by the Kingdom of Belgium and  
UNDP-UNEP Poverty-Environment Initiative

**Sunday, 27 September 2015**

(10:00 - 11:30 am, Room 5, UN Building)

## BACKGROUND NOTE

### Scaling up the sustainability ladder

### LDCs and their specific environmental challenges in implementing the 2030 Agenda for Sustainable Development

Post-2015 Summit  
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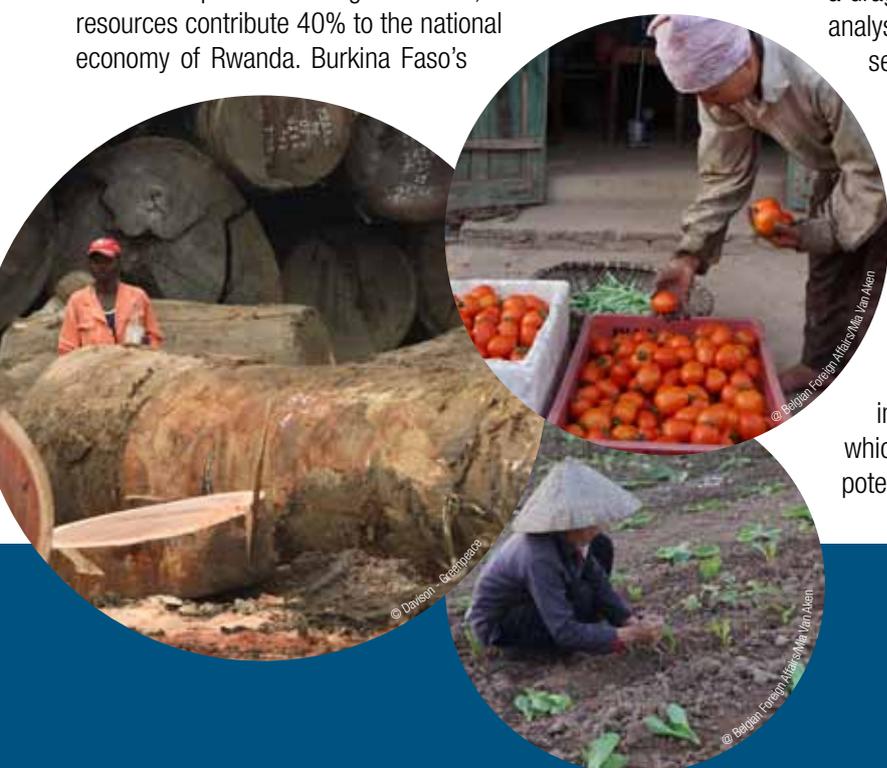
### Scaling up the sustainability ladder

# LDCs and their specific environmental challenges in implementing the 2030 Agenda for Sustainable Development

The contribution of natural capital to the wealth of nations and to human well-being is vital in promoting inclusive and sustainable economic growth, particularly in low-income countries. Natural capital is thereby defined as the stock of natural assets that provide society with renewable and non-renewable resources and a flow of ecosystem services. Significant percentages of the population - particularly the poor - in low-income countries depend on forests, minerals and soil productivity, and fresh water resources for their daily subsistence. It makes up a relatively larger share of the national wealth in less developed countries, especially in Least Developed Countries (LDCs), to which Belgium has decided to allocate at least 50% of its ODA. Research from the World Bank has indicated that in 43 countries classified as low-income, natural capital accounts for up to 36 per cent of total wealth<sup>1</sup>. The Economics of Ecosystems and Biodiversity (TEEB) estimates that ecosystem services and other non-market goods make up between 50 and 90 per cent of the total source of livelihoods among poor rural and forest-dwelling households worldwide, the so-called GDP of the poor<sup>2</sup>. Some examples. According to WAVES, natural resources contribute 40% to the national economy of Rwanda. Burkina Faso's

economy is mainly based on mining, agriculture, livestock and fisheries; 85% of its population depends on natural resources that are estimated to contribute 31,5% to GDP. In Bangladesh, two-thirds of the labour force depends directly or indirectly on environmental resources for their livelihoods.

Natural capital in most countries is being harvested and degraded at a rate that threatens to undermine the well-being of the population and future economic growth - which in turn makes these countries less able to cope with degradation and the loss of the ecosystems that are a lifeline for many communities. Economic assessments and valuations have clearly demonstrated the economic costs of unsustainability at the national level and in some sectors. They are very powerful in convincing governments sustainability should be a higher priority. A clear example is the pressure exerted on water resources, leading to water insecure environments, jeopardising development, sustainable growth and wealth, in particular in LDCs. Indeed, a recent OECD study<sup>3</sup> confirms that water insecurity acts as a drag on global economic growth. Both empirical and theoretical analysis demonstrates the importance of investment in water security for development - and the importance of development for investment in water security. Most rich countries enjoy relatively manageable water endowments (i.e., 'simple freshwater systems' providing relatively reliable, plentiful water resources), and have made the investments needed to manage these resources. Many poor countries in contrast face 'difficult hydrologies' hence require greater investment to achieve water security. These countries are often the least able to afford such investments. The criticality of this challenge, in particular for LDCs, is reflected in the World Economic Forum's 2015 *Global Risks Report*, in which water is ranked as the global risk with the single greatest potential impact on economies over the next ten years.





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Another example is the unsustainable use of pesticides in the agricultural sector that has an impact on human health and ecosystems. Yet another example: the overexploitation of mangroves leads to soil erosion, impacting housing, settlements and agriculture. Soil erosion as such led to a 25% decline in agricultural productivity in parts of Rwanda, and, coupled with wetland degradation, to a 167% increase in per unit electricity costs.

While natural capital plays a vital role in promoting inclusive and sustainable economic growth, decision-makers have largely ignored the importance of natural resources as a capital asset, despite decade-long global policy efforts promoted by the Rio Conventions such as the Convention on Biological Diversity. Natural resources consequently have been undervalued, and the notion that they are a stock of capital to be sustainably maintained or enhanced has also been ignored. The recent OECD report on water security and sustainable growth, for instance, underscores that policies neglecting water may underestimate the economic consequences of climate change, especially in the most sensitive countries. Public Environmental Reviews have clearly demonstrated that public expenditure on environment is lower than justified by the economic evidence. In Mozambique, for instance, damage to GDP from unsustainable energy and natural resources management is 17% per annum and the cost of fixing environmental problems 9% of GDP, yet only 1,4% of GDP is spent on the environment. By optimizing the management and use of environmental assets in national development planning and budgeting, inclusive and sustainable economic growth can take root and expand, also in LDCs.

Climate change presents a specific challenge. National and regional programming processes became pervasively important for mitigation and adaptation measures. Moreover, climate change heavily influences the on-going dramatic biodiversity loss. This in turn impacts climate change and its effects, resulting in for example diminished carbon sink and coastal protection. Loss of biodiversity will have long-term effects on food security as well, when considering for example the disappearance of pollinators. As the Belgian co-architect of the MDGs Jan Vandemoortele has put it: not tackling global warming head-on puts progress in all other areas in jeopardy. This is especially true in LDCs, which by their very geographical position tend to be especially vulnerable to the devastating effects of climate change.

Climate change, desertification, the loss of biodiversity and its ecosystem services, the scarcity of drinking and irrigation water all contribute to increasing environmental stress and increased poverty, malnutrition and disease, particularly in LDCs, hence decreasing the resilience to avoid potential armed conflicts and resulting migratory fluxes.

While there are challenges, experience over the last decade has demonstrated that there are practical and operationally proven approaches to meeting those. In Rwanda, energy constitutes one of the priority sectors for Belgium's development cooperation. The government's rehabilitation of the Rugezi wetland restored electricity production, with savings to the community of over 100.000 EUR a year, the construction of a power station, jobs for rural residents, and a decrease in the per unit cost of electricity. Likewise, an increase from 0,4% to 2,5% in terms of government expenditure on the environment and climate change between 2008 and 2012 has allowed to reverse deforestation and soil erosion trends that were making the achievement of Rwanda's national development goals more difficult overall<sup>4</sup>. As in the LDCs agriculture will remain the most important livelihood and source of income, agroforestry has the potential to increase yields and make the local environment more resilient against climate change. There are beneficial effects not only for carbon storage, but also for an improved water availability, which will be of utmost importance in the next decades.

In short: the unsustainable use of natural capital by LDCs jeopardizes their attainment of the SDGs and their successful implementation of the 2030 Agenda more generally. The sustainable use of natural capital, in contrast, empowers the LDCs to meet the post-2015 challenges in a more resilient way.

As LDCs moreover do not have easy access to alternative or innovative sources of financing, external aid in the form of official development assistance (ODA) will remain more important to them than to other developing countries. ODA can help to provide them with the boost necessary to plan ambitiously, fully integrating environmental considerations into a sustainable fight against poverty.

We cannot leave behind the one billion people living in the LDCs. This is why the Belgian development cooperation now prioritizes without any hesitation



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its support to LDCs, which is exemplified in its new list of 14 partner countries that includes 12 LDCs. Belgium also reiterates its plea, made earlier at the Financing for Development Conference in Addis Ababa, to allocate at least 50% of its own ODA to LDCs, inasmuch as it reiterates its appeal to other donors to follow suit. Last but not least, environment and climate are a cross-cutting theme throughout the Belgian development cooperation policies, since a healthy environment is one of the main assets for inclusive and sustainable economic growth, while LDCs still have a lesser capacity to adapt to changes.

In this context, Belgium has decided to join forces at the post-2015 summit with the *UNEP-UNDP Poverty-Environment Initiative*, which mainstreams poverty alleviation and environment in the quest for sustainable development. This is being operated, including in 11 LDCs so far, in order to contribute to poverty eradication and to achieve other national development goals through the sustainable use of energy and natural resources, while taking climate risks into account. Integrating poverty-environment objectives into “mainstream” economic decision-making processes, particularly national and subnational planning and budgeting processes led by ministries of finance and planning, relevant sectors and local government, is indeed key<sup>5</sup>. By reducing environmental externalities and ensuring more sustainable use of natural resources, LDCs, too, can achieve priority development planning goals. All the more, five of Belgium’s LDC partners - Mali, Burkina Faso, Mozambique, Rwanda and Tanzania - are equally PEI countries.

In promoting the sustainable use of natural capital, digitalization holds many promises. Belgium believes digitalization can be an important tool for gathering “conversational data” in order to better guide planning and budgeting, while it also holds great potential in terms of increasing transparency and democratic accountability of those same processes, especially in contexts of devolved government with multiple layers of governance. Global endeavours - often under UN auspices - in terms of environmental and climate-related data gathering involving digital means, such as the *Global Framework on Climate Services*, GEOSS, UNEP Live, UN Water, the Global Water Partnership, UNESCO-International Hydrological Programme, *Eye on Earth* or GEO-6, can help bringing real-time Big Data to all countries in need of channelling them into their own national plans, including LDCs. So do EU programmes

such as Biodiversity Information for Development. The World Resources Institute has launched *Global Forest Watch*, which enables users to monitor forest fires in near real time, and overlay relevant spatial information such as property boundaries and ownership data to be developed into a model to anticipate the impact on air quality. At a more local level, digitalization can empower communities in terms of early warning on disasters, contagious cattle and crop diseases, in spreading market information and in allowing local authorities to interact with professional and consumers’ associations. More generally, the digital agenda can foster new models of governance, communications and economic development as a whole. Therefore, Belgium has decided to weave a digitalization/data component through all of its development cooperation policies. At the initiative of Belgium, 15 EU Member States have, through a common letter, called upon the EU and its Member States to do likewise.

In the context of this side event, interventions in the poverty and environment cluster, as far as LDCs are concerned, will be invited from LDC governments, donor countries, relevant non-governmental actors, international organizations and aid agencies. Belgium expects an exchange of insights on the main challenges that were experienced as well as on the ones that lay ahead post-2015, in our common endeavour to meet the Sustainable Development Goals. For its part, it will bring the message that bold but necessary planning in LDCs - with a constant eye on the natural capital base - deserves sufficient support from the donors’ side. It will also elucidate the important role of digitalization in this.



- 1 World Bank, WAVES 2012.
- 2 TEEB (2010).
- 3 Sadoff, C.W., Hall, J.W., Grey, D., Aerts, J.C.J.H., Ait-Kadi, M., Brown, C., Cox, A., Dadson, S., Garrick, D., Kelman, J., McCornick, P., Ringler, C., Rosegrant, M., Whittington, D. and Wiberg, D. (2015), *Securing Water, Sustaining Growth: Report of the GWP/OECD Task Force on Water Security and Sustainable Growth*, University of Oxford, UK, 180pp.
- 4 ‘Taking on the twin challenges of sustainable development and poverty eradication’, N. Sekhran and N. Wilkie, in *This Is Africa*, 26/05/2015.
- 5 *Mainstreaming Environment and Climate for Poverty Reduction and Sustainable Development, A Handbook to Strengthen Planning and Budgeting Processes* (« PEI Handbook »), UNDP-UNEP Poverty-Environment Initiative, 2015.