
5 Sustainable Consumption and Production as a tool for poverty reduction

5.1 Introduction and overview

This section provides a brief introduction to how SCP can contribute to poverty reduction, fulfil basic needs for poor people and help achieve the Millennium Development Goals (MDGs).

SCP contribution to poverty reduction and the achievement of MDGs

The global effort to reduce poverty and achieve the MDGs needs to include a quest for sustainable consumption and production (SCP) as environmental degradation is linked to persisting problems of poverty, hunger, gender inequality, and health. The poor tend to rely more on the natural resource base for their livelihoods than the rich: While in low-income countries natural resources account for an estimated 28 percent of the capital stock, this figure drops to 2 percent for high-income countries (see Figure 1). In many developing countries today, unsustainable production patterns have resulted in significant social and environmental side effects that undermine the prospects for poverty reduction. And the unsustainable consumption patterns of the emerging 'global consumer class' may further limit the 'ecological space' available to poor people to meet even basic needs.

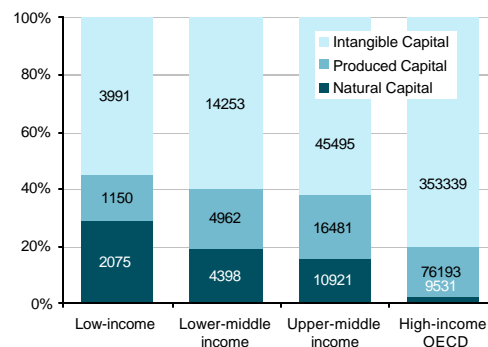


Figure 1: Proportion of capital stocks in country in different income groups

Source: World Bank

Policies and actions supporting SCP can serve to bolster poverty reduction efforts and support sustainable long-term growth. Measures which reduce inefficient use of energy and other resources are particularly relevant in low-income countries where severe resource scarcities mean that wastage has high opportunity costs. By conserving natural resources and the revenues they generate and in particular avoiding degradation of soil and other ecosystems, SCP measures can protect the incomes of the poor and enhance food security (MDG 1). A more efficient and less polluting use of natural resources can improve quality of life by preserving the regulating functions of ecosystems and reducing environmental health problems (MDGs 4, 5 and 6). SCP also contributes directly to ensuring environmental sustainability (MDG 7) and global partnerships (MDG 8) can support the development of innovative products and

services that help to meet basic needs in a more sustainable manner. In other words, SCP could help developing countries to 'leapfrog' to sustainable models of development⁵⁰.

SCP could also help countries to develop new markets for sustainable products and new sources of employment as well as to better position themselves as producers for export markets. More efficient use of resources would enable businesses to achieve cost savings for acquiring, processing and disposing materials. Sustainable products and services that meet basic needs in an efficient manner could present viable business models and create new local employment.

SCP action plans and the role of development agencies

Integration of SCP principles and practices into national development plans and strategies can facilitate the implementation of SCP and help to identify synergies between environmental, social and economic objectives.⁵¹ There is a critical role for development agencies and financing institutions to apply SCP as a tool for poverty reduction. Several development agencies are already undertaking practical development projects targeting current unsustainable patterns of production and consumption (see Background Paper 3).

The role of the private sector

Market-based mechanisms can both stimulate investments in sustainable livelihoods and infrastructure and mobilise knowledge and human capital for conducting research, development and marketing activities on sustainable products and services for the poor. Entrepreneurs and businesses that seek to promote 'human development through the market'⁵² (see the next section) can:

- Create and make accessible to the poor sustainable 'leapfrogging' products and services that combine traditional and modern knowledge;
- Help poor people to realise cost savings through efficient use of energy and other resources;
- Create local economic linkages and supply chains through use of local materials and recycling;
- Create employment opportunities and foster entrepreneurship among poor people; and
- Preserve environmental and social capital to secure long-term development opportunities.

SCP potential to reduce poverty in different economic sectors

Sectors such as food, water, energy, waste management and tourism represent opportunities to demonstrate the contribution of SCP to poverty reduction. Various models are available for governments to

⁵⁰ For more details see UNEP "SCP – how development cooperation agencies can make a difference", pp. 14-16, www.uneptie.org/pc/sustain/reports/general/Review_Development_Agencies.pdf

⁵¹ For an extensive review on how developing countries address environment and the MDGs in their strategic documents, see the UNDP report 'Making Progress on Environmental Sustainability' at www.undp.org/fssd/report

⁵² See the background paper for SCP9: www.uneptie.org/pc/SCP9/paper.htm

implement SCP in these sectors through the active involvement of the private sector and other players.⁵³ The following discusses potential opportunities in a few sectors:

- **Agriculture:** FAO has linked organic agricultural production methods to increased food security and higher resilience and adaptability towards, for instance, climate change. Certified organic production could allow farmers to receive price premiums. Innovative management schemes can help farmers to protect soil quality and use inputs like water and energy more efficiently. Direct marketing of sustainable food products can assist small-hold farmers in reducing their reliance on middlemen (see Sambazon case in Box 1).
- **Energy:** SCP includes the promotion of reliable and clean energy services for the poor. Renewable energies such as water, wind, solar and advanced biomass systems look more attractive with high fossil fuel prices and with the cost reductions expected from further scaling up of renewable technologies. Operating and maintaining decentralised systems also offers local entrepreneurship and employment opportunities to poor communities. Energy efficiency can be facilitated through subsidies for energy-efficient products and services or reforming highly subsidised energy pricing schemes.
- **Tourism:** Tourism has the potential to make a major contribution to poverty reduction within the framework of the MDGs. In many Small Island Developing States, the tourism sector provides a large share of economic activity. The World Travel and Tourism Council (WTTC) indicates that travel and tourism in the Caribbean in 2005 generated a turnover of some \$45.5 billion directly and/or indirectly accounting for 15.4% of GDP and 2.4 million jobs representing 15.1% of total employment.⁵⁴ The Marrakech Task Force on Sustainable Tourism led by France aims to promote the development of models for sustainable tourism as a tool for local development and poverty reduction (see Background Paper 3).

5.2 Current status

SCP projects and programmes and integration into development strategies

Developing countries and countries with economies in transition are increasingly interested in SCP and it is clear that implementation of SCP must be undertaken in light of the challenge of reducing poverty and satisfying basic needs.⁵⁵ The Marrakech Task Force on Cooperation with Africa will assist the further elaboration and implementation of the African 10 Year Framework Programme on SCP (see Background Paper 3). Parallel to this, UNEP, with the support of the Government of Norway, is planning local level

⁵³ For more sector examples and profiles of concrete case studies, see www.uneptie.org/pc/SCP9/SCP9_bckgrdpaper_final.pdf

⁵⁴ *Tourism investment as a tool for development and poverty reduction: The experience in Small Island Developing States (SIDS)*, Dr John W Ashe, Permanent Representative, to the United Nations and Ambassador to the World Trade Organization, Antigua and Barbuda, Barbados, 18-20 September 2005.

⁵⁵ For more details, please refer to the Tracking Progress reports at <http://www.unep.fr/pc/sustain/policies/tracking.htm>

demonstration projects on public policies, market-based incentives, sustainable technologies and information and awareness-raising tools to explore how SCP can contribute to poverty reduction.

As one example of efforts to incorporate SCP into national poverty alleviation strategies, UNEP launched a pilot project 'Integration of SCP into Poverty Reduction Strategy Papers (PRSPs)'. The purpose of this project is to provide guidance to governments in low income countries on integrating country-specific SCP policies into poverty reduction strategies. In addition to providing concrete examples of SCP measures for governments and the private sector, the document will assist pilot countries to identify linkages between SCP and poverty reduction in key economic sectors and provide guidance on drafting the text of PRSPs.

Capitalising on the potential of SCP in different economic sectors

Efforts to link SCP and poverty reduction have often been undertaken on a sector level:

- In the area of **agriculture**, under its *Technical Cooperation Projects (TCPs)*, FAO provides technical inputs by experts, practical training and in some cases equipment and supplies at the request of developing countries and when deemed essential for activities to promote and implement organic agriculture.⁵⁶ Under the theme of "Sustainable Livelihoods", FAO's Sustainable Development Department offers information and guidance on shaping agricultural production in order to account for the dynamics of the natural resource base with the aim of reducing poverty and promoting human well-being.⁵⁷
- SCP in **energy services** is addressed by UNIDO and UNDP with the aim of "de-linking intensity of energy use from economic growth" and "reducing the environmental damage that occurs with energy use". Projects demonstrate how decentralised, renewable power generation together with modern information and communication technologies can increase incomes while reducing environmental impacts.⁵⁸ The GEF Small Grants Programme supports focused country-level projects on, for instance, consumer awareness of efficient energy consumption and sustainable technologies such as energy-efficient cook stoves and solar lanterns.
- In the **tourism** area, a number of pilot projects are being undertaken within the framework of the Sustainable Tourism Task Force. One example is a project led by UNEP, Costa Rica, SICA and France which aims to promote natural and cultural heritage as an asset for sustainable tourism development in Costa Rica.

Projects and programmes of development agencies

To assess how development agencies address consumption and production patterns in their work programmes, UNEP conducted a survey to identify SCP-related projects and mechanisms for cooperation

⁵⁶ A documentation of FAO's work on organic agriculture is available on www.fao.org/ORGANICAG/frame2-e.htm

⁵⁷ For outcomes and results, see www.fao.org/sd/pe4_en.htm

⁵⁸ See project description at www.unido.org/doc/24912

and means to achieve better integration of SCP into development programmes. The review revealed that while development agencies are carrying out many activities linked to SCP, they are not always identified as such (see Background Paper 3). An example is the adoption of a 'Sustainability Roadmap' by the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) which aims to implement 'Environmental Governance Standards' in its member institutions.⁵⁹ Development banks in donor countries have also taken up the SCP issue, an example being the financial support for renewable energy and protection of national resources provided by the German Development Bank (KfW).⁶⁰

Private sector activities for 'human development through the market'

Various private sector initiatives are already underway to promote 'human development through the market' by influencing consumption and production patterns in a way that contributes to poverty reduction. These initiatives demonstrate how businesses and entrepreneurs can contribute to environmental and social objectives through financially viable business models. Multinational companies and others have started to design and market sustainable, locally appropriate products and services to the poor who form the '**Bottom of the Pyramid**' (see Prahalad C.K. 2005)

Table 1: Indicative examples of Bottom-of-the-Pyramid (BoP) projects

Sector	Company	Initiative	Source
Telecommunication	HP	' Kuppam HP i-Community ': Local run community telecommunication centres offering income opportunities, capacity building and telecommunication services	kupnet.org
Construction	CEMEX	' Patrimonio hoy ': Microfinance and community saving scheme, decentralised distribution model and capacity building to enable poor people to pay for services and building materials to upgrade their homes.	Prahalad C.K. 2005, pp. 207-239
Consumer Products	Unilever	Shakti : Decentralised distribution networks and capacity building to create local income opportunities and distribute products beneficial for the poor.	hlshakti.com
Food	Grameen Danone	' Grameen Danone Foods ': Localised, low-capital supply chain to supply nutritional products to the low income households	NextBillion.net

Social entrepreneurs around the world develop social and environmental innovation through entrepreneurial solutions. Many bottom-up examples illustrate how innovative, locally developed and tested business concepts and products can reduce resource use and impacts on the environment while creating employment or entrepreneurship in marginalised communities. The **microfinance** concept has grown from small pilot projects into a major industry that has enabled many poor people to make investments into social and environmental progress. In addition, organisations engaged in **fair trade** serve the growing demand for sustainable products in developed countries by establishing direct commercial relations

⁵⁹ www.egs-asia.com

⁶⁰ www.kfw-entwicklungsbank.de/EN_Home/Topics/index.jsp

with producers in developing countries. These relations are based on a combination of fair (i.e. price premium, guaranteed payment and long-term contracts) payment, capacity building and local community investment.

Based on a benchmark of available best practices, the **‘Human Development through the Market’ (HDtM)** approach aims to create social and environmental value in the marketplace by encouraging the development and sale of products produced with lower environmental impacts and which also help to meet the needs of poorer consumers. The HDtM approach integrates the initiatives describe above into a common perspective and provides a framework to enable intermediaries to support broader application. Box 1 illustrates some examples of the HDtM approach.

- **Drying fruit using Solar Power – USISS (Mali):** USISS seeks to generate income and create jobs for the local community through a commercial application of solar energy to meet local and national needs for dried meat, fruit and vegetables.
- **Growing organic cotton – LOCP (Uganda):** The Lango Organic Cotton Project (LOCP) promotes organic cotton production techniques in Uganda and provides monitoring and documentation systems required for certification.
- **Marketing Açai berry – Sambazon (Brazil):** Sambazon cultivates, harvests and processes Açai fruit in a sustainable manner that is mutually beneficial to local communities, the Amazon Rainforest, retailers and wholesalers.
- **Eco-tourism to African wilderness - CC Africa (throughout Africa):** As one of the continent's largest eco-tourism companies, CC Africa provides world-class holiday experiences for discerning travellers, and invests in conservation and community empowerment.
- **Decentralised composting – Waste Concern (Bangladesh):** Waste Concern, an organisation in Dhaka, successfully applies a public-private partnership and decentralised composting models to promote community-based efforts for primary collection of waste as well as to encourage composting.

Box 1: Examples for the HDtM approach from the UNEP SCP 9 Background Paper

5.3 Support services for ‘human development through the market’

The HDtM approach was introduced as a new work theme for National Cleaner Production Centres (NCPs) during the UNEP’s 9th International High-level Seminar on SCP.⁶¹ Another UNEP initiative, the SEED Initiative (Supporting Entrepreneurs in Environment and Development)⁶² aims to inspire, support and build the capacity of local entrepreneurial partnerships to contribute to the MDGs and the Johannesburg Plan of Implementation (JPOI). UNDP’s Growing Sustainable Business⁶³ programme has built a “platform for companies to engage in pro-poor business activities in developing countries with a challenging business environment”.

Market-based approaches to SCP and poverty rely on an enabling policy framework and often require external support services by governments, intermediaries or other stakeholders, at least during the start-up phase. These support services might entail facilitated access to financing, capacity building and education on sustainability and entrepreneurship, personal counselling, technology transfer among other

⁶¹ www.unep.fr/pc/SCP9/index.htm

⁶² www.seedinit.org

⁶³ www.undp.org/business/gsb/

support services. The SCP9 meeting underscored the importance of enhanced understanding of the operation and needs of the private sector within the public sector as well as the importance of public policies and multi-stakeholder approaches to application of HDtM business models. The application of the HDtM approach will be explored in national level demonstration projects in a recently launched UNEP project on SCP for poverty alleviation.

5.4 Key challenges to address

Mainstreaming SCP contributions into existing strategies and programmes

The potential contribution of SCP toward the MDGs and other international development goals are not yet widely appreciated. This includes the direct contribution of SCP approaches to MDG 7 (environmental sustainability), but also to poverty reduction and food security, maternal and child health, and water and sanitation-related MDGs. Efforts to identify, assess and communicate of the role of SCP in achieving the MDGs will support broader uptake and mainstreaming of SCP policies.

Promoting SCP and poverty reduction models through the private sector

Although promising models for private sector initiatives on SCP and poverty reduction exist, their uptake has been limited to a few front-runner companies. Raising awareness of cost savings, new market potential, advertising and public relations benefits of sustainable products and services would help to spread the model. Public-private partnerships within pilot projects may be one implementation model to raise awareness among the business community with a view to building knowledge and mainstreaming best practice into standard business models.

Strengthening institutional and technical cooperation

Factors preventing developing countries from implementing SCP include financial barriers to switching to more sustainable production methods and concerns related to short-term costs in addition to a shortage of technology, technical information and policy-making skills. Institutional and technical cooperation mechanisms to leapfrog to sustainability include financing and technology transfer mechanisms like the Clean Development Mechanism (CDM) and partnership models such as public-private partnerships.

Strengthening education and capacity building for SCP and poverty

Integrating SCP into higher education will build capacity on the potential contributions of SCP to poverty reduction. This concerns curricula on development theories and politics but also on integrating SCP and poverty as cross-cutting issues in the general curriculum. Interactive educational methods are needed to enable students to not only analyse ecological and social challenges, but also to actively implement solutions to these challenges.⁶⁴

⁶⁴ See the South-East Asia Future Lab (SEALab), run by oikos Dhaka www.oikos-dhaka.org/seal/

Collaborating with development agencies

The potential of cooperation with development agencies to implement joint projects on SCP and poverty reduction has not been fully realised thus far. To promote the implementation of pilot projects and mainstream SCP into development efforts, the benefits of SCP with respect to poverty reduction both on a generic and at a project level should be better communicated. The Cooperation Dialogue and Cooperation with Africa Task Force could provide venues for a dialogue with development agencies.

Increasing exchange of experiences between developing countries

More implementation projects and programmes are needed to address the priorities identified during the regional consultations by developing countries. A more intensive exchange and discussion of specific best (and worst) experiences when implementing SCP for poverty reduction would support necessary learning that comes with information exchange. This includes the challenge for the Marrakech Task Forces to more systematically engage with governments, civil society organisations and businesses from developing countries.

Integrating poverty reduction in initiatives under the Marrakech Process

Mainstreaming poverty reduction across the Marrakech Process offers opportunities for innovative international partnerships. These might, for example, link lifestyles and procurement practices to SCP and poverty impacts, as the sustainability of products and services also depends on its impact on poor people. These linkages might be addressed in the Sustainable Lifestyles, Sustainable Public Procurement and Sustainable Products Task Forces. The MTF on sustainable tourism offers another forum for examining linkages between lifestyle choices of wealthy consumers and poverty reduction in developing countries.

5.5 Key questions:

Some key questions to be discussed among the participants in the working group on SCP as a tool for poverty reduction (on 27 June, Group 4) are suggested below:

1. What are the objectives related to poverty reduction that should be included in the 10 Year Framework of Programmes on SCP (10YFP)?
2. What are the key policies and concrete actions needed to mainstream SCP as a tool for poverty reduction?
3. How can the benefits of SCP for poverty reduction be better communicated and integrated into national development strategies and development projects?
4. How can cooperation with development agencies and regional development banks be enhanced to promote SCP in their development projects?
5. What are the key policy recommendations/actions that might be developed by the main Marrakech Process mechanisms, in particular the Cooperation Dialogue, the Task Force on Cooperation with Africa, but also with the business and industry?