

# **Sustainable Development: Issues and Policy Options**

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# Sustainability – Too Expensive to Ignore

## ▶ Environmental costs:

- Profits to ranchers in the Amazon average \$75 per hectare per year, the environmental costs are upwards of \$100.

(Source: Thomas, 2006)

## ▶ Human costs:

- Pollution from power plants and traffic cause 427,000 excess deaths annually in China and 107, 000 in India (Source: ECG

Paper, 2006)

## ▶ Economic costs:

- Pollution costs China 4.5-9.5% and 4.5-8% of India's annual GDPs (Source: Yusuf and Nabeshima 2006, OECD 2005, World Bank 2001.)

# But Factoring in Sustainability can be a Win-Win

| <b>Environmental Assessment Rating</b> | <b>Average Economic Rate of Return</b> | <b>Average Financial Rate of Return</b> |
|--|--|---|
| <b>Satisfactory</b>                    | 20.80%<br>(11.1)<br>N=37               | 12.70%<br>(6.3)<br>N=30                 |
| <b>Unsatisfactory</b>                  | 19.20%<br>(8.8)<br>N=7                 | 10.60%<br>(6.0)<br>N=7                  |

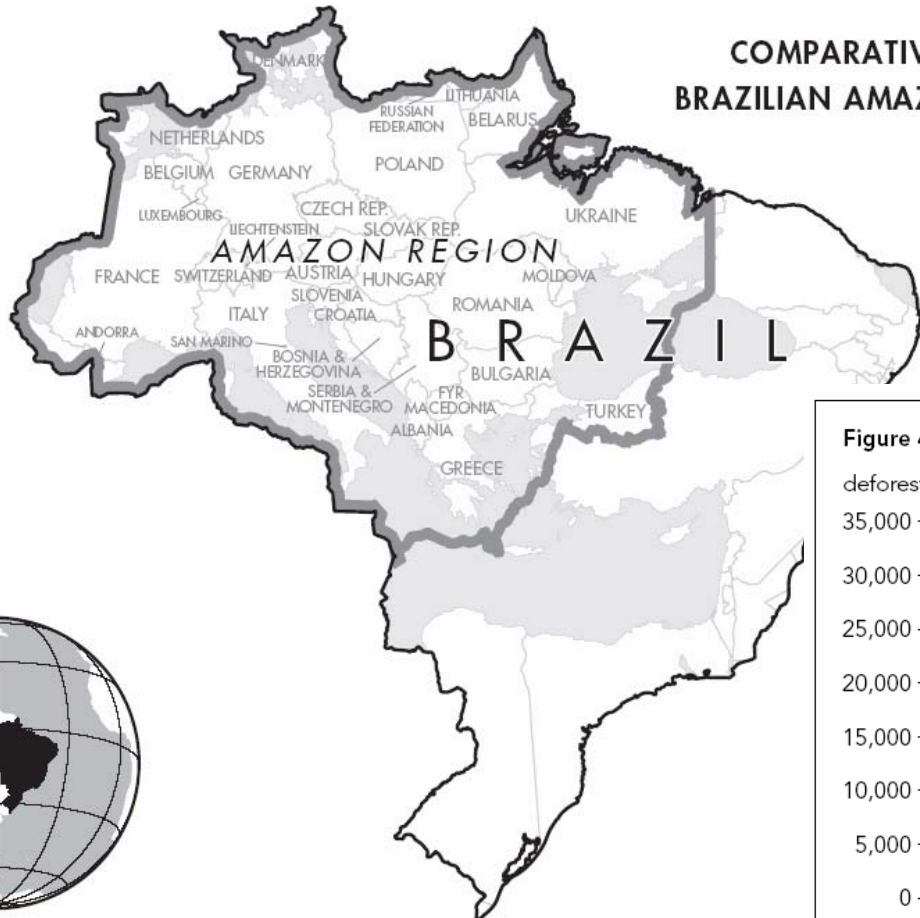
Source: International Finance Corporation (IFC). IEG-IFC project database, 1996-2004.

Notes: Standard deviations in parentheses. Economic rates of return exclude environmental benefits.

Includes power and utilities; transport and warehousing.

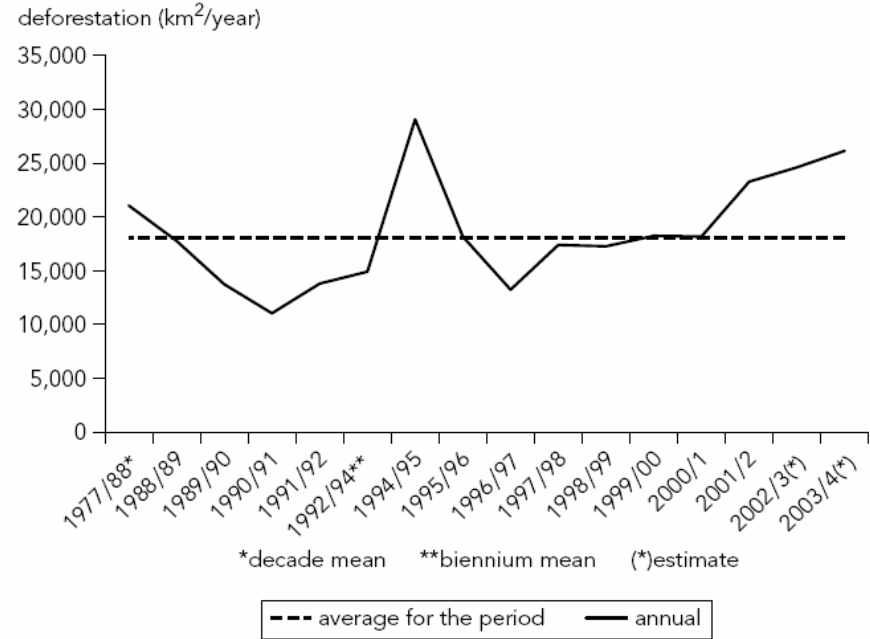
# A Sobering Example: Deforestation in the Amazon

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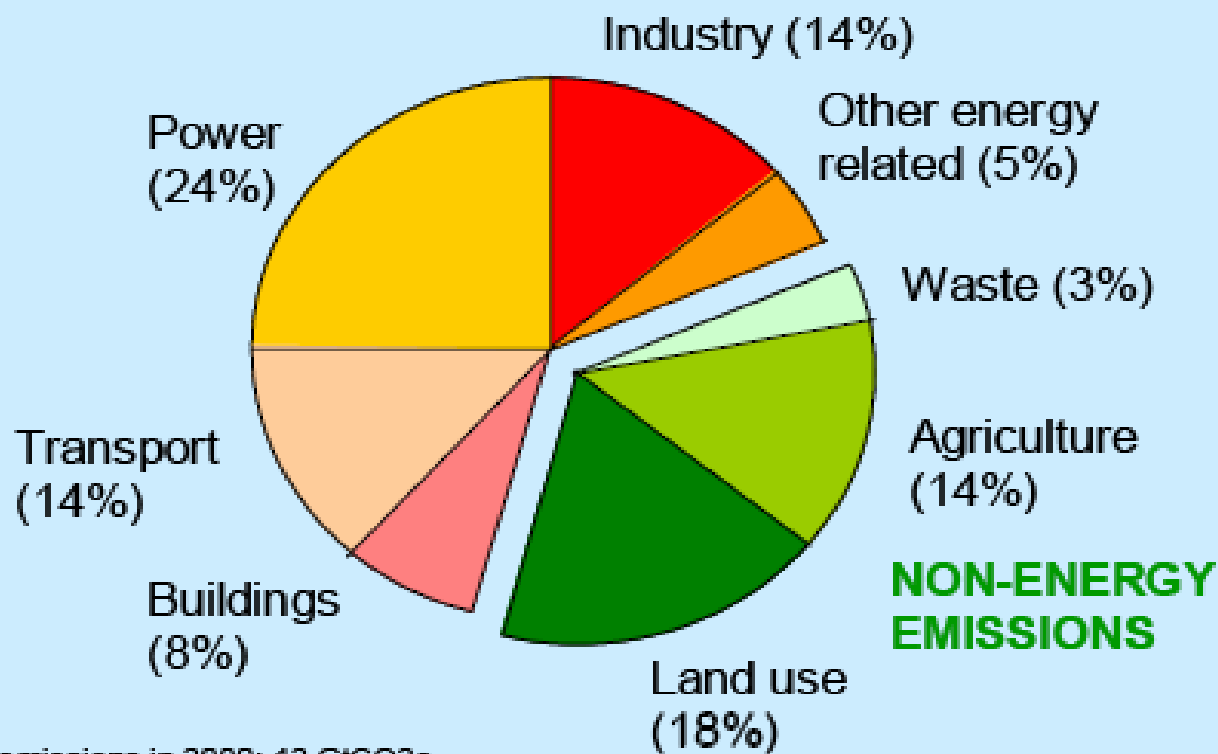
COMPARATIVE SIZE OF THE BRAZILIAN AMAZON AND EUROPE

Figure 4.2 Average Yearly Deforestation in the Amazon, 1978–2004



Source: INPE (National Spatial Institute).

# Deforestation – a Major Contributor to Climate Change



Total emissions in 2000: 42 GtCO<sub>2</sub>e.

Energy emissions are mostly CO<sub>2</sub> (some non-CO<sub>2</sub> in industry and other energy related).  
Non-energy emissions are CO<sub>2</sub> (land use) and non-CO<sub>2</sub> (agriculture and waste).

Source: Stern Review on the Economics of Climate Change

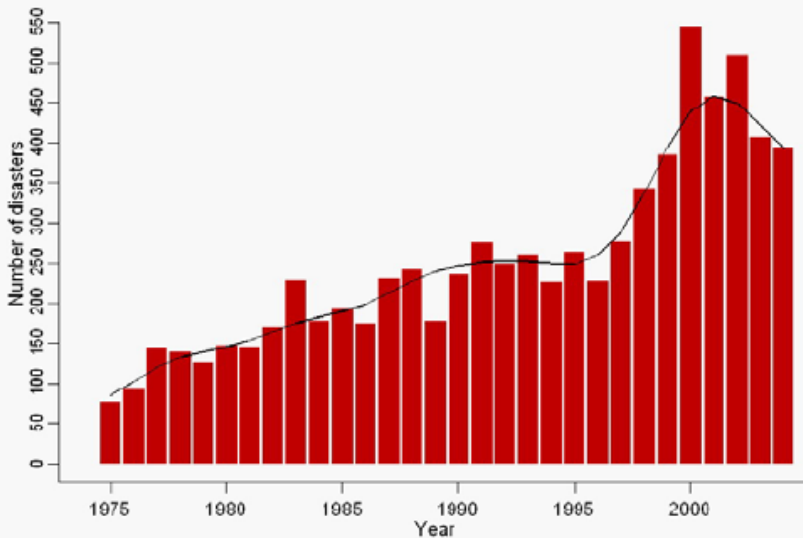
# Policy Options

- ▶ At the global level - mobilize global financing in favour of forest conservation through carbon finance
- ▶ At the regional level – coordinate regional development interventions to exploit synergies or minimise tradeoffs between environmental and livelihood goals
- ▶ At the local level - create monitorable and enforceable property rights for forest dwellers

(Source: Chomitz, 2006)

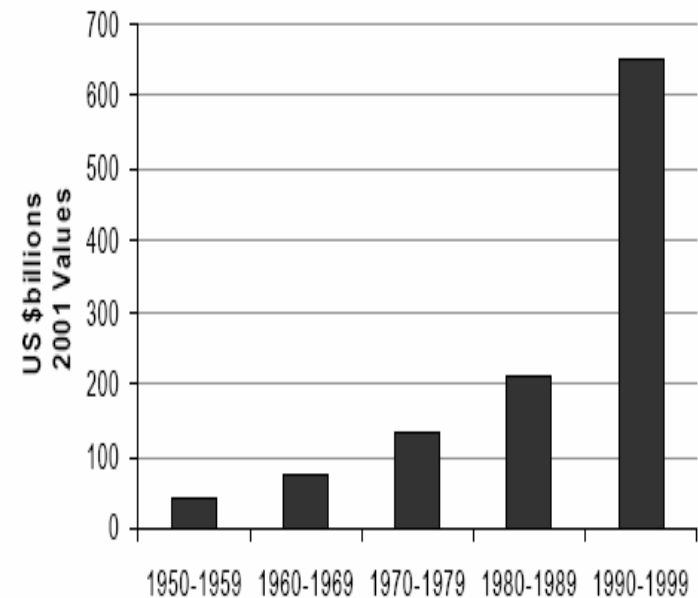
# Sobering Example 2: Natural Disasters

## Disasters Have Been Increasing in Number



Source: EM-DAT: The OFDA/CRED International Disaster Database.

## And Costs Have Been Rising



# Policy Options

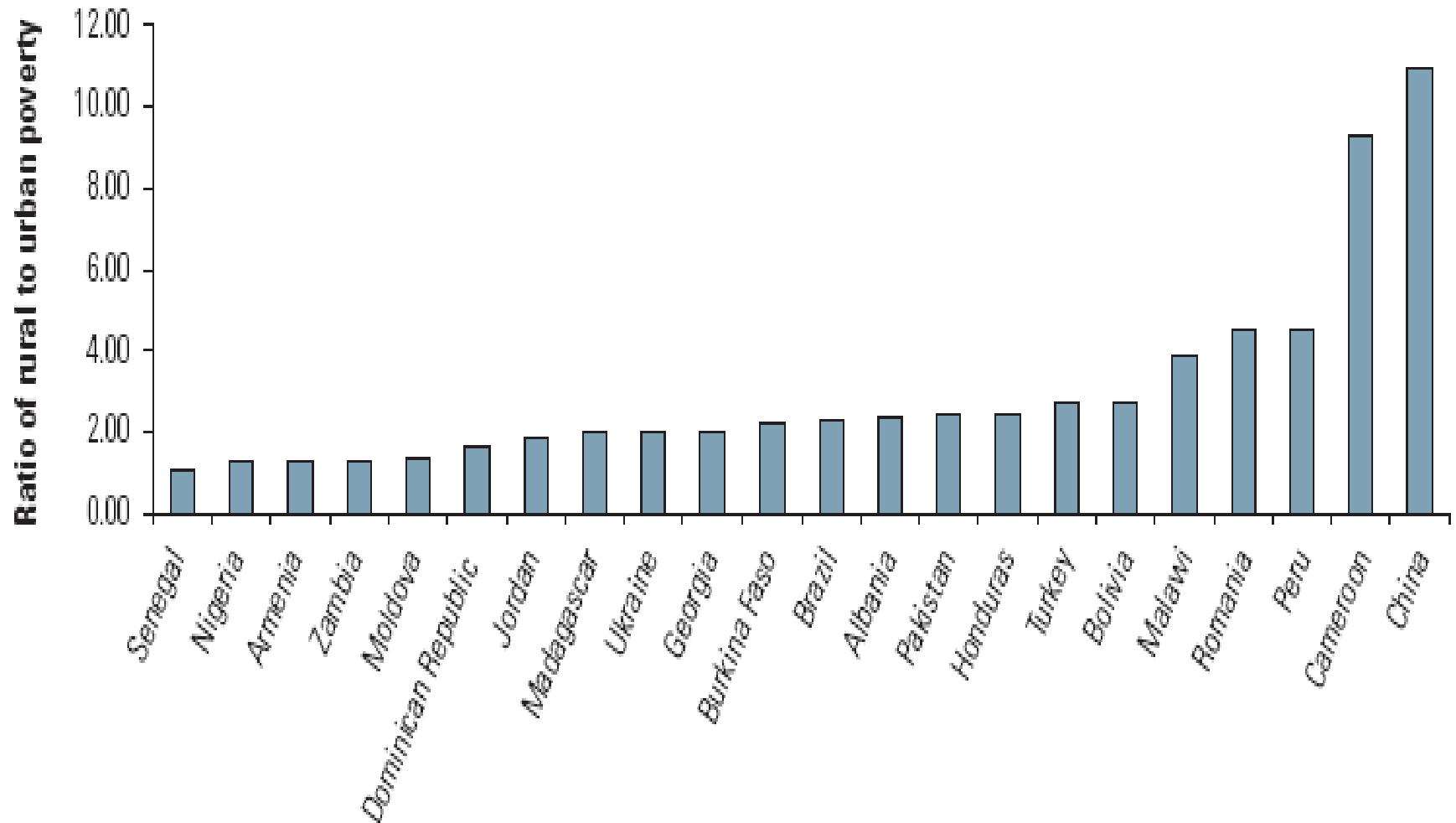
- ▶ Integration of disaster risk into development strategy
  - Eg India
- ▶ Regional and global funding mechanisms
  - Eg World Bank's Global Facility for Disaster Reduction and Recovery
- ▶ New and innovative insurance mechanisms
  - Eg Turkey, the Caribbean

# Sobering Example 3a: Urban Poverty is Rising

## ► Urban poverty is a growing problem

- More than 500 million poor people live in cities in developing countries
- Corresponds to: 25% of all city dwellers; 30% of all poor
- By 2015 almost half the developing world will be urban

# Sobering example 3b: Rural Poverty Even Higher in Some Countries



Source: World Bank, DECRG poverty database.

# Policy Options

- ▶ Integrated rural and urban development strategies with better understanding of:
  - What keeps poor from participating in growth
  - How rural-urban linkages and intersectoral mobility can be enhanced
  - How public accountability can be enhanced to ensure better service delivery and more equitable resource distribution