

A VIEWPOINT SERIES ON POVERTY AND THE ENVIRONMENT

**Poverty
is not a number**

**The environment
is not a butterfly**

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The Viewpoints on Poverty and the Environment series provides a forum to discuss the difficult, often controversial, challenges of integrating poverty and the environment into effective development strategies. We welcome the diverse views of a wide range of authors and institutions.

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“WHY...EVERYONE AGREES WITH THAT.”

So goes the response these days to the proposition that addressing environmental issues is central to alleviating rural poverty.

Curiously, however, during the 10 years since the World Conference on Environment and Development was held in Rio de Janeiro, very little attention has been given to the intimate relationship between rural poverty and the environment. And even less has been done to change policies and institutions to address these two inextricably linked dimensions of development.

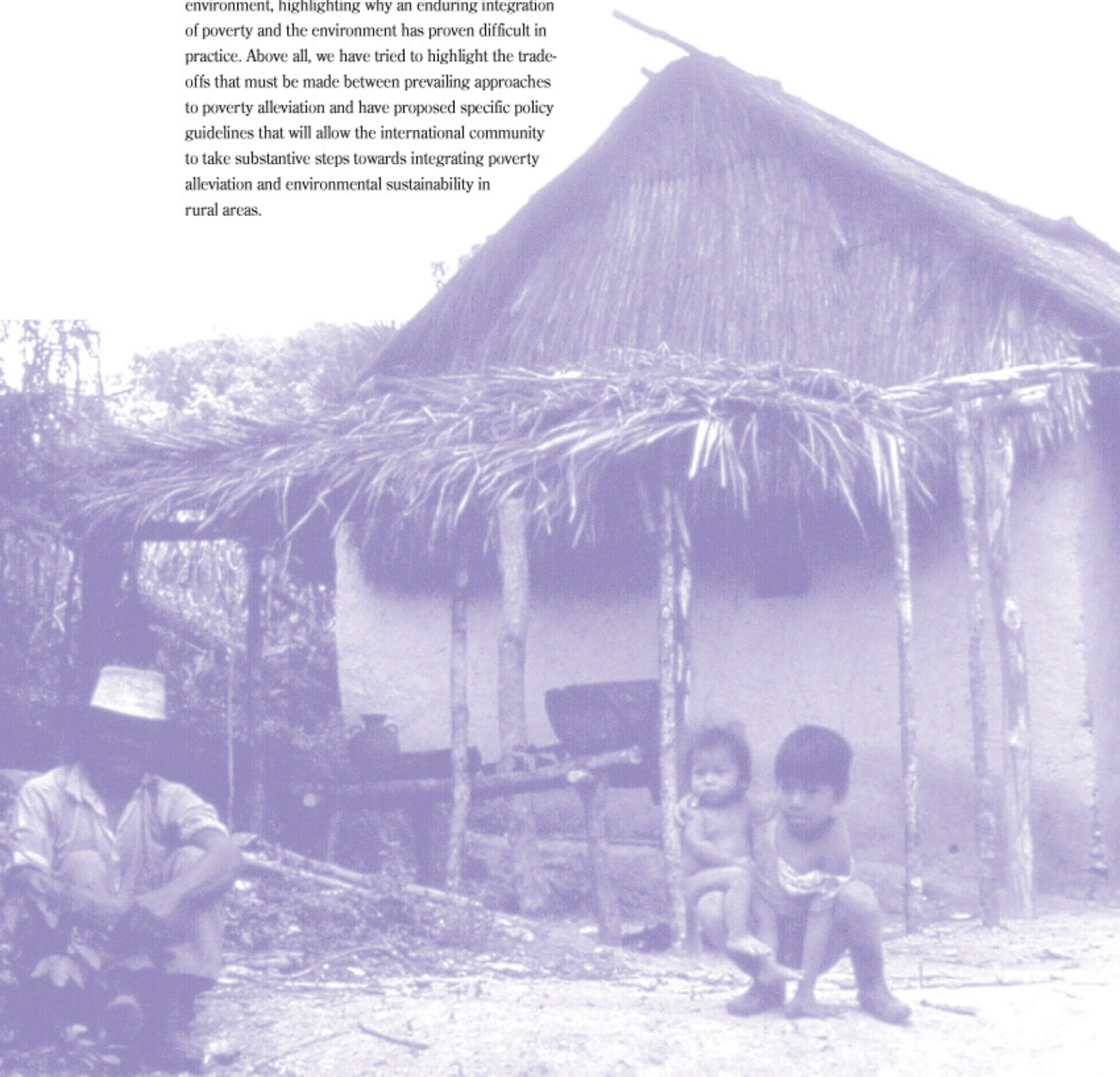
Perhaps the starkest example of how the international development community has ignored this vital link is the World Bank's 2000/1 World Development Report. Despite the significant expansion in the Bank's treatment of poverty, the environment is addressed only in terms of natural disasters that pose destabilizing threats to the poor. There is no reference to the central role that environmental assets play in sustaining rural livelihoods. There is no discussion of why assuring access and gaining control over environmental assets is central to reducing rural poverty.

This failure is perplexing because, during the 1980s, the environment rose dramatically among concerns of national and global policy makers, accompanied by a significant increase in funding and investment for environmental purposes. During the 1990s, poverty rose to the top of the international agenda in response to the undeniably stark and growing imbalance between the wealth of a significant portion of humanity and the hardships and misery besetting more than half of the world's population. It seemed that a programmatic integration of these two fundamental public concerns was not only possible but also imminent. Unfortunately, the integration took place in rhetoric, not in deed, postponing adequate treatment of the issues and a more substantive pursuit of sustainable development for the uncertain future.

With Rio + 10 looming on the horizon, the international development community is, once again, heralding the concept of sustainable development. In light of the



experience of the past 10 years, however, it is hard not to conclude that this embrace is, for all intents and purposes, largely rhetorical. Below, we offer a different look at the current treatment of rural poverty and the environment, highlighting why an enduring integration of poverty and the environment has proven difficult in practice. Above all, we have tried to highlight the trade-offs that must be made between prevailing approaches to poverty alleviation and have proposed specific policy guidelines that will allow the international community to take substantive steps towards integrating poverty alleviation and environmental sustainability in rural areas.



POVERTY IS NOT A NUMBER

We have seen a significant change in the concept of poverty over the past decades. The most significant change is widespread acceptance that poverty is not a number, a quantified measure expressed by single or multiple indicators. Today, it is more widely accepted that poverty, if we take the World Bank's perspective, is a "pronounced deprivation in well-being."ⁱ From perspective, poverty is considered as deprivation of a multi-faceted set of material goods, assets, conditions, and opportunities.

This broadened perspective is significant because it underscores that a new set of interventions is needed to alleviate poverty. Among other things, it requires providing economic opportunity to the poor through development strategies that promote high-quality growthⁱⁱ, strengthening the political participation of the poor, and enhancing conditions that reduce the vulnerability of the poor.ⁱⁱⁱ

While this change in perspective is very important, we suggest that one further step be taken to understand and address poverty and its causes. That is recognizing that poverty is actually more than a status of deprivation. Specifically, we believe that poverty is a social relationship. It is a social relationship of competition among individuals, social groups, and the state in their pursuit of wealth and political power. In this perspective, poverty results from the competitive relationship in which a significant number of people are unable to gain access to life-supporting assets, be they productive, environmental or cultural, while others secure the conditions for stable, productive lives.^{iv}

This definition has significant policy and operational implications because it requires not only economic growth to overcome poverty, but also necessitates the transformation of social relations at the root of poverty. For instance, the means and processes by which groups gain and hold control over livelihoods will need to change as will the terms on which individuals, groups and the state compete, so that the poor can increase their assets and power in the process of competition. At the local level, such changes require opening access to productive assets to the poor. At the national level, they require providing conditions under which those assets can be used effectively.

UNDERSTANDING RURAL POVERTY

Over the past two centuries the perspective on rural poverty has changed significantly. During the colonial period, for example, poverty was viewed as a natural, almost permanent feature of agrarian societies. Faith-based organizations were given the task of civilizing the poor, bringing them spiritual deliverance and occasionally material relief as well. From the decolonization period of the 1950s onward, international development organizations have viewed poverty as a transitional phase of the growth process that could be addressed once developing economies modernized and diversified. 'Traditional areas', or spatial poverty traps are



still viewed essentially as a source of cheap labor or as targets of welfare transfers.^v Moreover, some countries purposefully depressed rural prices and incomes because agricultural production was viewed as central to subsidizing national industrialization programs by providing cheap foodstuffs and rents.

More recently, trickle down economics has provided a rationale for modernizing the agricultural sector despite acknowledgement that this approach entailed widespread dislocation of rural communities. Regardless of these social costs, agricultural modernization promised eventually to deliver material benefits throughout society and lift the rural poor out of poverty as well. The cliché, “a rising tide lifts all boats”, perfectly captures that expectation.

Today, growth and trickle down economics still underpin poverty alleviation strategies employed by international development agencies, albeit nuanced by numerous qualifiers and variants. For example, recognizing the impact of structural change on the poor during the 1980s, these institutions pursued ‘growth plus safety nets’ to ensure that the poor were not left out of the economic reform process. ‘Pro-poor growth’ and ‘labor-intensive growth’ accompanied policy prescriptions in the 1990s to address the growing numbers of poor, particularly the rural poor, left behind by structural changes.^{vi}

As these nuances have been added, seldom has the concept of the rural poor gaining more extensive control over productive assets (ranging from land, water, forests and other natural resources to capital, infrastructure, technology and others) established itself squarely at the center of alleviating rural poverty. Rather the approach has skirted questions of power and privilege embedded in rural societies and has largely dodged questions of the control that elites hold over natural resource wealth and environmental assets. In essence, the development approach has not sought to increase the ability of the rural poor to compete with stronger, more influential

social groups that have derived benefit from natural resources and environmental assets in rural areas. Those issues remain highly charged political matters that are left aside for fear of disrupting established political arrangements.



THE ENVIRONMENT IS NOT A BUTTERFLY

Throughout the discussion of rural development and poverty alleviation, the environment is seldom treated as a central part of the equation. Using the World Bank's perspective as articulated in both the 1990 and 2000 World Development Reports, the environment is viewed as a peripheral issue in poverty alleviation, perhaps even a luxury, that does not figure at the very center of rural livelihoods and as means of pulling individuals and the rural community writ large out of poverty.

A more sophisticated understanding of the relationship between poverty and the environment begins with an appreciation of the basic environmental functions on which human life depends. From their work on natural resource accounting, the Dutch offered a comprehensive treatment of environmental functions grouping some 37 specific functions into 4 basic categories:^{viii}

- **Regulation or stabilization functions:** These functions include the ability of the life support system to sustain the human community in regulating basic ecological processes including: transformation of energy into biomass, storage and transfer of minerals and energy into food chains, conversion of organic matter, cycling of nitrogen and other nutrients through the biosphere, and regulation of the physical climate system.
- **Production functions:** The natural environment provides resources that can be harvested directly or transformed through human work including raw materials for construction, agriculture, industry, fuels, and fertilizers.
- **Carrier functions:** The ecosystem provides geological stability, space, and the soil structure on which the entire gamut of productive and recreational activities take place.
- **Information functions:** Nature provides a cognitive and information framework that the human community uses to organize its social relations, dwellings, and inhabited space as well as its spiritual dimension.

While the human enterprise relies on these environmental functions, rural populations, and in particular the rural poor, have an immediate dependence on environmental resources not matched by urban dwellers. In recent years, ecologists and economists alike have provided empirical documentation of the direct dynamics between the rural poor and the natural environment.^{viii} One such carefully researched study documents the degree of dependence of peasants in Zimbabwe's communal areas on environmental resources.^{ix} The study concludes, "roughly 35% of average total income came from freely-provided environmental goods." Those goods provided an income source that is of the same magnitude or greater than those provided by



subsistence and cash income sources. In short, freely provided environmental goods, subsistence farming, and income derived from sale of environmental goods such as firewood and wild foods provide millions of rural dwellers in Zimbabwe with means to live.

Such dynamics and dependence are typical of rural populations. Agriculture and resource-based activities constitute the foundations of rural livelihoods, establishing a close relationship between the welfare of the rural poor and the availability of biomass for soil fertility, energy, water, and other essential goods. This high dependence of the rural poor on biomass is valid not only for low-income countries but also for the middle-income economies. In low-income countries, however, a much larger proportion of the population is poor and lives in rural areas, and the overall performance of the economy is more affected by the economics of the poor than in middle-income countries.^x Recognition of this high degree of environmental dependence underscores the importance that development organizations such as the European Commission, the British Department for International Development, the Swedish International Development Agency, and the United Nations Development Program, among others, place on strengthening the basket of resources made available to the rural poor in their 'sustainable livelihoods' approach to addressing rural poverty.^{xi}

While ensuring stable access to environmental resources is central to the livelihoods of the rural poor, we would not want to leave the impression that such access alone will provide the means of raising the rural poor out of poverty. As research has shown, simply increasing the rural poor's access to environmental resources under certain circumstances can actually lead to environmental degradation and aggravate poverty rather than the opposite. Careful understanding of the types of and types of environmental degradation is a requisite for identifying strategies and interventions that promote

income growth and environmental sustainability.^{xii}

Moreover, a wide range of experiences in developing countries has shown that provision of infrastructure, social services, technological improvements, and credit are necessary components of strategies designed to address rural poverty.^{xiii} Without stable access to land and environmental resources, however, the rural poor are left without a solid foundation for increasing incomes and reinvesting in environmental resources.



DANGEROUS SIMPLIFICATIONS

Understanding of the dynamics between rural poverty and the environment has become more sophisticated, albeit slowly. Foremost, the 'vicious circle' argument no longer holds absolute sway over thinking about poverty and the environment. That argument suggests that the poor degrade the environment to survive which, in turn, fuels poverty and so on in a reinforcing process. More recently, another set of simplifications, a number of which we have listed below, has gained currency in recent years and shapes today's approach to the poverty-environment nexus.

- **Demographic spiral:** As the population in a given rural area grows it surpasses the carrying capacity of the natural environment leading to the vicious circle dynamic mentioned above;
- **Tragedy of the commons:** Without clearly defined owners, common resources face pressures of overexploitation that often fuel resource degradation and contribute to the impoverishment of the resource users over the long run;

- **Kuznets curve:** Environmental degradation will increase initially in a developing country until higher income levels lead to higher investment in the environment;
- **Market failures:** The rural poor harm the environment because they receive wrong market signals for reasons including distorted markets, lack of information, and lack of market access;
- **Zero sum argument:** There is a fixed amount of resources and what one loses, someone else gains;
- **Local is best:** The basic tools and approaches for addressing rural poverty and improving the environment must occur at the local level, consequently requiring local stakeholders to design poverty alleviation and environmental improvement approaches.

More recently, a number of other simplifications, often acquiring an ideological veneer associated with integration of the world economy, have gained currency in the international development community including:

- **Benefits of structural reforms:** Economic reforms will remove the anti-rural bias of national development policy, help lift the rural poor out of poverty, and, as economies become more efficient and productive, also provide more resources for environmental management;¹⁸
- **Benefits of trade liberalization:** Trade liberalization, by stimulating growth, will create economic opportunities for the rural poor and provide more resources for enhancing national environmental performance;¹⁹

One need not look very far to find examples that apparently confirm each of these arguments. Indeed, each of these arguments contains an element of truth in certain situations. Yet each situation is far more complex than any one of these arguments would suggest. As a consequence, proposing recommendations or strategic interventions based on such simplistic diagnoses usually backfires against both resource users and development agencies.



ROLE OF MESO AND MACRO POLICIES AND INSTITUTIONS

In the last two decades, the complex dynamics between rural poverty and the environment have further been affected by global economic change and countrywide economic reforms often implemented through structural adjustment programs supported by the Bretton Woods institutions. These neoliberal reforms have altered the development strategies of countries around the world and have brought, among others, three fundamental changes to the development process:

- **The role of the state as an economic agent has been severely reduced. Divestiture of state owned and managed companies and liberalization of national economic policy has led to the dismantling of statist economic systems in developing and centrally-planned economies.**
- **The private sector and liberalized trade regimes now drive global economic expansion. Financial resources and economic incentives, once used to support statist economies, have been redirected to the private sector. Coupled with export oriented development policies, national economies have been integrated more deeply into the global market system.**
- **Countries' institutional foundations are changing to support the new economic regime. Legal, financial, political, and social institutions are undergoing fundamental change to support the new economic system and include changing land and resource tenure regimes, structures of governance, financial markets, and tax regimes, among many others.**

These policy and institutional changes are designed to change the economic incentive structures at global and national levels. They translate into how financial, productive, and human resources are employed in national development strategies. They open opportunities for

private companies that can compete effectively in international markets and eliminate those that cannot compete on the same terms. They provide subsidies and fiscal incentives to companies that can generate highest yields and government revenues and remove subsidies for those economic agents generating lower yields and revenues. They have the potential to strengthen institutions that support the emergence of competitive companies and allow them to expand their production systems while closing opportunities to traditional institutions that do not meet the requirements of the dynamic, rapidly changing market economy.



INTENSIFIED COMPETITION IN RURAL AREAS

These policy and institutional changes have direct, often profound, impact on the economic opportunities of the rural poor, their access to environmental assets, and their ability to improve their living standards. These impacts have been felt through several principal changes.

■ **First, incentives designed to expand modern, high-input agricultural systems and take advantage of new market opportunities have increased pressure on areas where traditional agricultural systems prevail. These pressures have led to displacement of peasants and rural communities that give way to imperatives of agribusiness and plantations.**

■ **Second, incentives and opportunities to convert forests and mangroves into productive agricultural lands have increased pressure on communities living in and surviving on those natural resources. Conversion of forests into palm oil plantations and mangroves into shrimp farms typify this process.**

■ **Third, institutional reforms designed to support the neoliberal economic regime have replaced traditional institutions, systems of land and resource tenure, and forms of governance. These changes have weakened the abilities of rural communities to defend their interests vis-à-vis more powerful companies and political elites.**



We are not suggesting that these structural and institutional changes are without precedent or that they have not been pursued by governments at various times in different parts of the world before. Take, for example, the destruction of the peasant way of life in most countries of Latin America and the ensuing urbanization of those societies during the 1970s and 1980s.^{xvi} What does need to be stated is that the policies and institutions being applied in association with the liberalization and integration of the world economy have acquired a global character and they pose similar challenges, if not threats, to rural societies in many regions of the world.

FACING DIFFICULT TRADE-OFFS

In sketching out the points above regarding the dynamics between rural poverty and the environment, we have one objective in mind: to highlight the fact that there are some very difficult trade-offs that policy makers and national societies must make regarding the future of rural areas. Among other factors, these trade-offs affect the access and control of natural resources and environmental assets in rural areas.

Those trade-offs are framed by the fact that, despite policy pronouncements that these multi-faceted interventions all contribute to alleviating rural poverty, international development institutions and national governments pursue two sets of development objectives that frequently run counter to each other. On one hand, restructuring national economies and, cumulatively, changing the global economy has unleashed new economic actors and provided new incentives that are designed to extend high-input, export-oriented agriculture into traditional and frontier areas. Moreover, those reforms are designed to push aside those rural producers deemed unproductive from a national aggregate point of view to make way for more efficient entrepreneurs. This is no secret nor is it an accidental by-product. It is, in fact, the explicit intention that economy-wide reforms will alter the structure of national economies and encourage export-led growth.

On the other hand, international institutions have established a new set of poverty reduction standards regarding the use of public monies for development purposes. To qualify for those financial resources, national governments must establish national poverty reduction strategies, respect standards of good governance, establish specific outputs and timetables for achieving those outputs, and so on. To emphasize their commitment to this goal, international agencies have renamed lending windows, and initiated international dialogues with governments, civil society, and the private sector.^{xvii} These reforms, it is claimed, will strengthen the productive capacity of the rural poor, facilitate empowerment, and reduce vulnerability.^{xviii}

At the end of the day, however, the competition, if not conflicts, between these two strategic approaches to alleviating rural poverty must be dealt with. At present, there is no question that the policies, incentives, and institutional reforms unleashed through structural reforms and integration of the world economy are clearly carrying the day. Continued pursuit of those policies gives every

indication of supplanting small rural producers and rural communities with larger, technologically sophisticated enterprises and agribusiness. They give every indication of weakening long-established institutional arrangements of rural communities for decision-making, managing their production systems, and their natural resources. Moreover, the environmental impacts of this approach range from deforestation and increased toxicity in groundwater to biodiversity loss and exhaustion of soils. How the new set of poverty alleviation strategies, not to mention the voices of the poor and organizations of civil society, will fare in the face of these powerful economic interests is only now being tested.



VIABLE OPTIONS ARE STILL WITHIN REACH

No country has been able to raise living standards and significantly reduce poverty on the basis of agricultural production alone. Without exception, diversification of the national economy into manufacturing and service sectors has provided the foundations on which countries have created employment, raised living standards, and significantly reduced poverty.

Yet, while urbanization and industrialization must play a driving role in raising living standards, the fact remains that the majority of the world's poor still live in rural areas.^{xix} And even though rural to urban migration will continue in many countries in coming years, raising living standards and providing sustainable livelihoods for some two billion rural citizens will remain an overarching imperative for governments and the international community for the foreseeable future.

Responding to that imperative is premised on recognizing that spatial poverty traps or traditional areas are not just sources of cheap labor and targets of welfare transfers. Rather, these areas represent potentially dynamic productive regions that can contribute significantly to national development strategies of many agricultural and extractive economies. While short-term economic returns on investment in these areas may be lower than other current export-driven options, longer-run productivity, social stability, and environmental sustainability depends on transforming these areas. Trade-offs are required between the single-minded pursuit of short-term efficiency gains, economies of scale, and improved aggregate economic indicators and guaranteeing sustainable livelihoods for rural dwellers whose environmental stewardship will become increasingly vital for ensuring the inhabitability of urban centers.

As these economic interests compete and institutional arrangements take shape in coming years, we believe several basic principles must be fulfilled if poverty alleviation and environmental sustainability are to be promoted in rural areas:

- **Institutional reforms must allow the rural poor to increase their control over and access to natural resource wealth and environmental assets in the areas in which they live.**

- **Education and health services, introduction of technological improvements, extension of basic infrastructure, and access to credit must be delivered by national governments on a sustained basis.**
- **Pro-urban policies and incentives must be reversed to ensure that meso and macro policies provide a steady stream of financial, technical, and human resources to rural areas.**
- **Political arrangements must be restructured to ensure adequate representation of rural populations and rural issues.**
- **Urban populations must pay rural communities for their stewardship of environmental goods and services on which healthy urban life and wellbeing depend.**

Fulfilling some of these conditions through national development policy can be accomplished by reallocating investments and future opportunities while others require redistribution of current assets. All of these changes require, to one degree or another, altering the distribution of national political power, a redistribution that will be resisted by the powerful of developing countries whose privilege is often based on control over natural resources and environmental assets. If enhanced livelihoods for the poor and sustainable management of environmental resources are the strategic goal, what the European Commission and UNDP regard as a win-win scenario, a redistribution of political power at the national level is ultimately required.^{xx} Strengthening the capacity, the political prowess, and advocacy skills of rural communities and their urban counterparts is the linchpin of changing that balance of power.

Reorienting development policy and priorities on the national level must, ultimately, be accompanied by a sharing of responsibilities at the global level, foremost of which entails altering the highly skewed structure of international demand to satisfy northern consumers. Policy reorientation must also reverse many current policies of OECD countries, including subsidy programs, incentive structures, fiscal policies, and investment priorities, that encourage unsustainable development practices at home and abroad.

WHY...EVERYONE AGREES WITH THAT!!!

So we return to our starting point, the apparent ease with which governments and agencies embrace the notion that addressing environmental issues is central to efforts designed to alleviate rural poverty. Indeed, everyone does agree with that, at least in principle.

And we also return to the fact that proclamation has not been accompanied by deed, by new policies that favor the rural poor relative to the wealthy and powerful, by creating political institutions that enhance the power of the rural poor, and by a reordering of national development policies.

Addressing the needs of the rural poor requires shifting the terms on which they compete with the privileged. It requires new subsidies and incentives redirected away from the large producer to the small landholder and the landless. It requires creating political arrangements that elevate the power of the rural community relative to the urban and articulate constituencies. It requires a reordering of national development policies by which the traditional areas are placed at the center of the growth equation and development process.

We understand that it will not be easy for the international community and national policy makers to acknowledge that we face the difficult trade-offs identified above. More ambitious yet is expecting that governments and international institutions will actually embrace and act on the principles we have proposed above.

In closing, however, let us be clear that the current path pursued by governments and many international institutions is leading away from addressing rural poverty and environmental degradation. It is reinforcing the power of those who have emerged over decades as the most able to gain access to and control of rural environmental assets for their personal benefit. Unless that path is altered, the costs to society in terms of social stability, environmental disruption, and lost productivity will far outweigh the gains offered by short-term returns from the Marketplace.



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