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STATE OF THE ENVIRONMENT AND SUSTAINABLE DEVELOPMENT POLICY

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SUSTAINABLE DEVELOPMENT POLICY

Note by the secretariat

SUMMARY

The objectives of this document are to review the relevance and efficacy of sustainable development policies that are currently being pursued in the region and to explore ways and means of integrating poverty reduction into the sustainable development process. The critical sustainable development issues of the region include environmental degradation, poverty, population, social equity and governance. Humanity's biggest challenge today is poverty reduction in a socially, environmentally and economically acceptable manner. This challenge can be met if the political decision makers of the region are prepared to bring about changes in thinking, deciding and executing. The time has come to determine whether the region should embark on the formulation and implementation of a truly pro-poor sustainable development action plan. The central theme of such an action plan should be total integration of poverty reduction, social mobilization and sustainable development, taking lessons from past programmes and successes.

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INTRODUCTION

1. Sustainable development presents a unique challenge for the Asian and Pacific region, where the needs of the people, the problems faced by them and their lifestyles are very different from those in the more developed and industrialized countries of the West. Therefore, sustainable development issues should be looked at in the Asian and Pacific context and any policies and actions tailored accordingly. Poverty is not only the most pressing problem, but also the biggest obstacle to sustainable development in the region. Accordingly, the theme of this paper is poverty reduction as an integral component of environmentally and socially sustainable development.

2. The concept of sustainable development encompasses three dimensions: economic, ecological and social. The economic approach to sustainability is based on the concept of the maximum flow of income that can be generated while maintaining the stock of assets or capital and at the same time contributing to economic growth. The ecological view of sustainable development focuses on the stability of biological and physical systems and their protection and management for posterity. The social dimension is people-oriented and seeks to maintain the stability of social and cultural systems leading to human capital formation.

3. The poor and the deprived in the developing countries of the region lack basic human needs such as food, clothing, shelter, safe drinking water, decent sanitation, literacy, basic health care, security, and many more. It is the need to meet this challenge that prompted the Asian Development Bank in 1999 to declare poverty reduction as its overarching goal. Women fare poorly by most measures everywhere in Asia, although there are wide variations among subregions. Gender discrimination takes different forms, ranging from denial of access to education and health care, longer working hours at lower pay, nutritional deprivation, and discrimination in terms of the right of access to land, credit and employment, as well as physical and psychological abuse. Social and economic factors compel the poor to live in environmentally hazardous, fragile, and marginal lands without proper access to land, water, and other resources.

I. PERSPECTIVES ON SUSTAINABLE DEVELOPMENT POLICY

4. The integration of environment and development is the key to sustainable development. The processes of integration that are currently in operation will be dealt with under four headings: economic decision-making, environmental policy planning, trade liberalization and privatization, and environmental capacity-building.

5. Economy-wide policies traditionally have not been concerned with environmental goals, but they often influence and sometimes indirectly impact on the environment significantly. A wide range of policy reform programmes have been undertaken to address macroeconomic problems such as those affecting international trade, government budgeting, private investment, wages and income

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distribution, and also broad sectoral issues such as energy and river basin development. The measures generally adopted for attaining these goals include altering rates of interest or exchange rates, reducing government budgets, promoting market liberalization, fostering greater international openness, enhancing the role of the private sector and institutional strengthening in the public sector. It has been found that such ad hoc or piecemeal interventions can aggravate the problem. The solution is not necessarily to modify the original broader policies which have conventional economic or poverty-related goals, but rather to design more specific and complementary environmental measures that address particular policy, market or institutional imperfections and thereby mitigate the negative effects or enhance the positive impacts of the original policies on the environment.

6. The first step towards integrating environmental considerations into economic decision-making is to determine the environmental and social impacts of a project or a policy. The second is to carry out an economic valuation of environmental and social impacts. The third involves redesigning projects and policies to reduce adverse environmental and social impacts, thereby shifting the development process towards a more sustainable path. This objective can be achieved by strengthening the economic policy-planning and policy-analysis department or agency of the government. What appears to be necessary is to take the first step in this direction. Several countries in the region, especially in South and South-East Asia, have established policy planning and policy-analysis units in their planning or finance ministries.

7. Environmental policy-planning is defined as a planning process through which environmental considerations are incorporated into socio-economic development for sustainable development. This is one of the principal means of ensuring the integration of environmental considerations into the development process. Measures such as free-market operations, environmental assessment, poverty reduction, removing social inequities and obstacles and managing technological transfer come under its purview; these are all aimed at facilitating policy analysis, policy planning and management. It will be the responsibility of the policy-planning department or agency to give a new meaning and direction to economic growth in the context of the persistence of poverty, poor economic growth and environmental degradation.

8. In the light of the above discussion, an important question is whether the traditional growth models or East Asian miracles are still applicable to the rest of Asia and the Pacific. In fact, the ecological and socio-cultural foundations of the people of Asia are strong, deep-rooted and as old as human civilization. Throughout history, Asians have established an enviable record of living in harmony with nature and sharing the benefits of common property resources. This unique way of life is intertwined with social organization, culture, religion, customs and traditions. The challenge is to customize a model of sustainable development specific to a subregion, or to a country, which

can be worked out and tested by way of a pilot project, a model aimed at poverty reduction, equity-based, growth-oriented and environmentally sustainable, instead of replicating inappropriate models from elsewhere.

9. For markets to work properly and efficiently in the allocation of resources they need to meet stringent conditions. One condition is that the prices of goods should reflect the full social and environmental cost of their production. Failure to meet this condition results in the overuse of goods and greater degradation of the environment, leading to greater social dislocation. Subsidies distort prices and result in less efficient resource allocation. Many countries in the region subsidize energy, kerosene, diesel and electricity. These are sold to consumers at prices below the market cost of importation or production. Studies have shown that the greatest beneficiaries of such subsidies are not the poor, but relatively more affluent groups. Likewise, there are many other subsidy schemes for water, fertilizer, agrochemicals, credit and agricultural extension services which may not be the most appropriate policy response from a sustainable development perspective. Further, in many of these transactions by the state the cost of externalities is not included, but is borne by default by society, particularly the poor and disadvantaged groups.

10. In the wake of a new wave of trade liberalization and privatization in Asia and the Pacific, there is a great deal of discussion on the beneficial and adverse impacts of these two measures on sustainable development and, particularly, on poverty reduction and the removal of social inequities. While increased economic activity, liberalized trade regimes and higher growth rates have resulted in higher incomes and fuller employment, this has not always been associated with poverty reduction, equity or reduced pressure on the environment. In fact, the evidence shows that rapid and unregulated growth has often led to increasing income gaps between the rich and poor, as well as environmental deterioration. That, however, is not an argument for curbing economic growth, trade or development. For example, liberalized trade promotes greater efficiency, higher productivity and investment; it enables the transfer of technology and may actually reduce pollution, provided that such trade reflects real social and environmental costs. The main challenge is to devise and implement policies which ensure that trade liberalization and environmental health are harmonious and mutually supportive.

11. In many developing countries, state-owned enterprises are a burden on the national budget and the banking system, absorbing scarce public resources and sometimes employing twice or three times the required workforce. Governments have in some instances accorded state-owned enterprises monopoly status, given subsidies and tax and duty exemptions, but failed to penalize them for unpaid taxes, duties and utility bills. Because of high costs and poor performance, governments have generally turned to privatization as a measure of last resort. Decision makers are bound to ask whether privatization is beneficial or detrimental to the environment. It has been

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found that many state-owned enterprises are the biggest polluters because their equipment is older and the technology employed is more polluting. They are often protected from compliance with anti-pollution regulations. They are usually materials- and energy-intensive, hence, pollution-intensive. Industry, both state- and privately-owned, has to be regulated: governments should put in place sound pollution-control regulations, apply the "polluter pays principle" and provide advisory services and incentive schemes for pollution abatement.

12. It is worth noting that there is a flourishing small-scale private sector in water supply and sanitation in several Asian cities. Unlike water monopolies, these small players are demand-responsive, change market prices, assume financial risks, reach the poor, respond to changes in demand and try out new technologies. The question is not when developing countries should privatize their state-owned enterprises, but how soon they should do so, and how the regulations can best be drafted to achieve the larger objectives of increasing growth and productivity, decreasing poverty and discrimination and giving the maximum protection possible to the environment and natural resources.

13. Environmental capacity-building can be defined as an amalgam of programmes and projects whose objective is to ensure integrated environment and development management planning and policy formulation and legislative, institutional and human resources development in an efficient, sustainable and equitable manner by improving economic efficiency, enhancing environmental protection and natural resources management and reducing poverty. Several principles governing environmental capacity-building in the developing countries should be taken note of. The current institutional and sectoral approach to environmental capacity-building has to be upgraded to an integrated and holistic approach. The social dimension in relation to poverty, equity and social justice must be given due consideration. A causative approach, as against the current symptomatic approach, is preferred because it will identify and remedy root causes. People-centred development is the best form of development, hence the need to incorporate participation and collaboration. Advocating the causes of women, children, youth, the disadvantaged and the poor could earn massive goodwill and support, as these constitute about 80 per cent of the population. It is necessary to create political commitment, bureaucratic resourcefulness and a willingness to allocate resources. The key actions to be taken are (a) to undertake a study of environmental capacity-building requirements, (b) to prioritize environmental capacity-building needs, (c) to formulate a plan of action for a phased implementation according to the availability of infrastructure, expertise and funds, and (d) to monitor progress and evaluate implementation of the action plan periodically. Several countries in the region have already undertaken sectoral environmental capacity-building studies, though this has not been done systematically at national level.

II. POVERTY, ENVIRONMENT AND ECONOMIC DEVELOPMENT

14. Issues concerning poverty, population, environment and development are intricately interwoven and inextricably bound together. While affluence leads to over-consumption and the wasteful use of resources, poverty causes over-exploitation and the decimation of marginal resources. The poor have few options and are therefore forced to live on marginal lands such as drylands, hill slopes, wasteland and marshland. In fact, the great majority of the 50 million Asian urban poor live in slums and squatter settlements located on low-lying lands, liable to flooding, in and around mega-cities. The poor have been compelled by circumstances to degrade the environment by slash-and-burn, over-fishing, coral mining on sea coasts, farming steep and erosion-prone hill slopes and the illicit felling of timber. However, this may be a small percentage compared with the large-scale destruction of the environment through commercial timber extraction, land clearing for settlement schemes, the opening-up of large plantations and oil and mineral exploitation. Rates of reforestation and natural regeneration are far below current rates of deforestation and in several countries land degradation has reached the point of no return to green landscapes.

15. Poverty does not automatically imply environmental degradation. It is exacerbated by the inequitable distribution of income, a lack of access to resources and social exclusion. Poverty means being deprived of the essential assets and opportunities to which every human being is entitled. In addition to a satisfactory income to meet their basic needs, everyone should have access to education, water and sanitation, and primary health services. Beyond income and basic services, the poor tend to remain poverty-stricken if they are not empowered to participate in making the decisions that shape their lives. Sustained unemployment and impoverishment are among the major contributing factors to a spiral of crime, alcohol and substance abuse, ill-health, violence and civil unrest, such as that which has been seen recently in several countries of the region.

16. Intimately linked with the poverty issue are the key determinants of sustainable development, which include: (a) the consumption of resources, (b) production through the conversion of resources to desired goods and services, and (c) the distribution of consumption, pollution and environmental degradation resulting from the exploitation and utilization of resources. Further, the ownership and access to natural resources, effectiveness of institutional arrangements and governance, and people's participation in development have a significant role to play in poverty reduction within the framework of sustainable development.

17. Consumption beyond reasonable limits set by nature and technological knowledge, production characterized by gross inefficiencies in the use of energy, water and materials and in the distribution of resources, and consumption which is inequitable may stifle, if not prevent, sustainable development. Economic growth and rising incomes will no doubt continue to fuel the

demand for greater consumption of natural resources, goods and services. While developed countries have traditionally accounted for the greater part of global consumption, particularly in terms of energy, agricultural produce, mineral resources and manufactured products, they can no longer be singled out for much of the recent growth in consumption patterns, which is increasingly driven by consumer demand from the burgeoning middle-class and affluent populations, particularly in the urban areas of Asia and the Pacific. Changing consumer preferences is therefore essential to the success of policies to influence consumption patterns. This points to the importance of information and education campaigns, and a critical role for governments and non-governmental organizations (NGOs) in public advocacy efforts.

18. In many parts of the region and the developing world, the clamour for sustainable consumption is not clearly understood and often misinterpreted. Some developing countries perceive sustainable consumption as a concept promoted by the developed world to safeguard its own environmental and economic interests at the expense of the growth and development of least developed and industrializing countries. It is often argued that developing countries should enjoy the same benefits and have equal opportunities for and rights to development as industrialized countries. While this is a valid assertion, consumption patterns in developing countries which emulate those of developed countries simply may not be possible or desirable for the region, due to demographic, resource, economic and environmental realities. At the other end of the spectrum, the poor and disadvantaged suffer from a lack of adequate levels of consumption to meet basic needs as a result of poverty and the inequitable distribution of resources.

19. Consumption cannot be discussed independently of the production process, since these concepts are two sides of the same sustainability "coin". Production essentially drives and is driven by consumption in order to optimize productivity and economic growth, but it is also faced with the challenge of minimizing the adverse impacts on the environment, by reducing resource extraction and waste generation. This is reflected in the current propagation in the region of the promising concept of cleaner production.

20. Whereas conventional pollution control technologies provide an "after-the-fact" remedy for emissions, effluents and wastes, cleaner production focuses on the source and causes of the problem. As the term suggests, cleaner production entails the continuous use of industrial processes and products to prevent pollution and reduce wastes at their source. Steps towards this goal include better management and housekeeping, substitutions for toxic and hazardous materials, process and product modification and internal reuse of waste products. Cleaner production options increase efficiency by reducing costs for raw materials, energy, pollution control, waste treatment and clean-up.

21. Industries in the developing economies of the region have much to gain from cleaner production, because it provides them with an excellent opportunity to leapfrog more established industries that are burdened with costly pollution-abatement technologies. The Asian and Pacific region, including the robust Asian economies, have grown at an impressive rate of nearly 7 per cent per year over the past decade and now account for more than half of the world's output of goods and services. It is imperative that such sustained rapid growth is coupled with the adoption of adequate measures to safeguard fragile ecosystems, human health and the livelihood opportunities of poor and disadvantaged groups, including women.

22. An important determinant of poverty is the inequitable distribution of income and access to resources. Societies characterized by a high degree of inequality are also characterized by a high degree of social exclusion. There is statistical evidence to establish a close linkage between income inequality and the incidence of violence across countries. More important, high levels of inequality are an indicator of a breakdown in the implicit social compact that sees a certain degree of equity as socially desirable. The redistribution of income and assets is talked of more often now, especially after successes in East Asian countries which undertook a broad-based redistribution of assets as a poverty reduction tool, yet the blight of widespread and deep-seated poverty still casts a shadow over social cohesion and the mobilization of collective and creative energies. This presents a formidable challenge for the sustainable development of Asia and the Pacific.

23. The existence, intensification and perpetuation of poverty in Asia and the Pacific represents a serious crisis. Around 1.2 billion poor people in the region are faced with the ravages of hunger, malnutrition, disease, discrimination, deprivation and frustration. They are caught up in the vicious circle of poverty, population pressure, environmental degradation and underdevelopment. Almost a decade after the United Nations Conference on Environment and Development, held at Rio de Janeiro, Brazil, in June 1992 and the commitments made there to implement Agenda 21, widespread poverty and environmental decline persist, and have even intensified in some cases. There is an urgent need to discard old ways of thinking, deciding and executing and to adopt new ones in order to resolve this malaise.

24. That is much easier said than done. If a resolution is to be found, the three dimensions of poverty reduction, social mobilization and sustainable development will need to be fully integrated. First, an all-out effort to alleviate poverty should be vigorously pursued. A poverty reduction drive characterized by social mobilization, the empowerment of people, participatory development, and equity and equality considerations should be coupled with a moral basis for changing the mindset of people and for the restoration of social values. Second, current values and affinities towards growing consumerism and wastefulness should be discouraged, as they tend to exacerbate the divide between the "haves" and the "have-nots" and put undue pressure on dwindling environmental

resources. Third, macroeconomic reforms should be undertaken to make markets more effective and efficient in allocating resources. There should be complementary changes in governments' monetary, regulatory and fiscal policies. The elimination of subsidies and accounting for externalities will be vital. In addition, greater resources will need to be invested in a massive awareness, education, training and skills-development programme focused on poverty, equity, environment and growth. Last but not least, the conventional approach to governance and administration should be drastically changed to a poverty reduction oriented, pro-poor and people-centred development outlook.

III. THE SOCIO-POLITICAL AND CULTURAL DIMENSION

25. Institutions, laws and regulations play a pivotal role in sustainable development. Agenda 21 called upon governments to establish an effective legal and regulatory framework to enhance national capacities to respond to the challenges of sustainable development and underscored the critical importance of integrating environment and development. In Asia and the Pacific, most of the developing countries have set up environment ministries and lead agencies solely for environmental management. National planning agencies have been mandated to take note of environment issues as a vital dimension in economic planning. Many countries have strengthened provincial and local government institutions. Horizontal and vertical coordination is achieved through steering committees, coordinating councils and cabinet subcommittees. Environmental laws are being updated or new laws enacted to meet the emerging problems and challenges. Significantly improved training opportunities will be needed for judges, lawyers, government administrators and members of the public to ensure that these updated or new laws are properly implemented. Public participation has already been integrated into management mechanisms in many countries.

26. All these institutional and organizational arrangements and mechanisms are good enough for conventional environmental protection and management, but not adequate to meet the challenge of integrating poverty reduction, social mobilization and sustainable development. The present framework for environmental management should be changed to pro-poor environmental management for sustainable development. Development management is concerned with the institutional environment in which citizens interact among themselves and with governmental agencies and officials. The real test of effective management is the ability of governments to deliver what they have promised to the people. In that regard, macroeconomic stability is important. Without it, business prospects are uncertain and investment risks are high. The link with equity is an important dimension of macroeconomic stability. For instance, inflation can adversely affect the poor. Governments create infrastructure to attract private-sector investment and business. The provision of public goods such as education and health improves equity. In fact, in

today's context one of the key responsibilities of government is to ensure that the benefits of growth are equitably distributed across society.

27. There are four key elements of effective management; namely, accountability, participation, predictability and transparency.¹ Accountability refers to the need for public officials to be answerable for government behaviour and responsible to the entity from which they derive their authority. It may entail establishing criteria to measure the performance of public officials and oversight mechanisms to ensure that norms and standards are met. The principle of participation is derived from the acceptance that people are at the heart of development. They are not only the ultimate beneficiaries of development, but are also the agents of development. In this latter capacity they act through groups, associations and as individuals. Predictability can be enhanced through various institutional arrangements. Rules and procedures are an important measure of openness and uniformity. Transparency refers to the availability of information to the general public and clarity about government rules, regulations and decisions. Thus, it both complements and reinforces predictability. Transparency in government decision-making and public policy implementation reduces uncertainty and inhibits corruption.

28. No poverty reduction strategy can succeed unless, in the first place, there is effective management at all levels and management relations in administration and society are fully streamlined. The key elements of sound environmental management are (a) focusing on poverty reduction and ensuring accountability, (b) pro-poor policy formulation and implementation, (c) improving administration and participation for better delivery of services to the poor, (d) shifting decision-making closer to the poor and helping them to organize themselves, (e) strengthening the rule of law and eliminating corruption, and (f) getting all stakeholders involved.

29. Since the effective and efficient delivery of services matters most to the poor, sound governance and public administration practices are vital. Public-sector inefficiency, corruption and waste leave insufficient resources to support the requisite level and quality of public services and targeted anti-poverty programmes. However, the denial of basic services to the poor is not just a matter of lack of investment. Often, it is the result of institutional structures that lack accountability, domination by local elites, corruption, discrimination on the basis of ethnicity, religion, socio-economic status, gender and a lack of participation by the poor. Where such problems exist, systemic changes are needed to move from poor management to management accountable to the poor.

¹ Referred to in the Asian Development Bank as "good governance", on which the bank has adopted a formal policy.

30. No poverty reduction programme can succeed unless it is designed for the poor and planned and executed in close collaboration with them. It has to be founded on principles of equity and equality, the empowerment of people, participatory development and social mobilization. The selection of the poor to be targeted by poverty reduction projects has to be done by the poor themselves. Implementation should be carried out through grass-roots level people's organizations, with the active participation of NGOs and village-level officials, while the government machinery should merely guide and moderate. Banks, cooperatives, relevant governmental agencies, the private sector and NGOs should be responsive to the social, economic, and environmental needs and concerns of the communities that they intend to assist, as determined by the communities themselves. In addition, lawyers, judges and other advocates for the poor will need to implement a rights-based approach to poverty reduction, pursuant to existing international human rights instruments and obligations.

31. Poverty reduction initiatives should also include improving access by the poor to land, water and common resources such as forests and fisheries and the provision of basic needs such as health care, education, family counselling and social infrastructure which will improve the quality of life of the poor and create opportunities for them to engage in economic activities. Motivation, training and skills development for improved agricultural practices, including soil and water conservation, water management, animal husbandry, fish culture, multiple cropping, and inter-cropping, may be included in training modules to promote sustainable livelihoods. This should be coupled with training, skills development, and access to credit on a affordable terms for rural and urban poor populations, who increasingly rely on small-scale income-generating activities such as the sale of local handicrafts and prepared foods.

32. Social development concerns such as gender equality, vulnerable groups, involuntary resettlement and indigenous and ethnic peoples also merit due attention. Women throughout the region continue to have a social and economic status less favourable than that of men. Low levels of education and training, poor health and nutrition, and limited access to resources adversely affect quality of life, limit productivity and hinder economic efficiency and growth. For reasons of equity and social justice, the status and role of women should be improved. There are many vulnerable groups such as children, the aged, the disabled, squatters and disadvantaged communities, including indigenous people who generally have a reduced capacity to absorb social, economic and environmental shocks. The many adverse impacts of involuntary settlement should be avoided or adequate compensation should be made available. To help to set proper targets, monitor progress and mitigate adverse impacts on vulnerable groups, particularly women, meaningful yet easy-to-understand social indicators will need to be developed for use by decision makers as well as the general public.

33. In the restoration of equity and equality, special attention needs to be given to the right to life and health care, access to land, water and other resources, participatory management of common property, applying pressure on polluting industries to clean up and to prevent overexploitation of local resources by the community as well as those from outside. The possibilities of and prospects for participatory development should be fully tapped. All stakeholders, including the poor, need to be provided with the opportunity and means to objectively state their views and be heard. It is hoped that this would facilitate the fullest possible participation in decision-making through the sharing of information, consultation, collaboration and empowerment.

IV. ISSUES FOR CONSIDERATION

34. The issues that have emerged from this sustainable development policy review can be divided into two groups as follows: first, those issues arising from efforts made to integrate environment and development parameters into the economic development process, with a view to changing course or introducing corrective measures as deemed necessary; and second, those issues that relate to the new vision proposed in this document for the total integration of poverty reduction, social mobilization and sustainable development with a view to facilitating discussion and designing sustainable development action plans in the long term.

35. In dealing with critical sustainable development issues such as environmental degradation, poverty and population, the inadequate attention paid to social equity and effective management at the regional, subregional and national levels may be evaluated, the gaps and shortcomings identified and corrective measures introduced. Economic decision-making for sustainable development has not made much headway in many countries due to a lack of policy direction, as well as delays in creating the capacities and capabilities required for policy development, policy analysis and policy review. How should we respond? In environmental policy planning, the real issue is whether traditional growth models and East Asian miracles are applicable to the rest of the region. If not, should we move in the direction of a new growth model largely focused on poverty reduction, social mobilization and effective management of institutions and resources? Trade liberalization and privatization can bring rich rewards, provided that there is policy direction and minimum regulation within the free market system. Environmental capacity-building has been lagging behind at the national, provincial and local levels. There is a need to make a comprehensive assessment of national-level environmental capacity-building needs and priorities, with poverty reduction as the central theme, and to formulate and implement an action plan on capacity-building for sustainable development.

36. In spite of persistent poverty and environmental decline, modest progress has been made, especially in the integration of environmental considerations into the economic development process. These initiatives and efforts must be improved upon, consolidated and continued into the next decade. Undoubtedly, poverty reduction in a socially, environmentally and economically acceptable manner is the biggest challenge facing the region.

37. The Ministerial Conference may wish to consider the issues raised in this document in the light of the aims of the regional action programme for environmentally sound and sustainable development for the period 2001-2005, proposed for adoption at the Ministerial Conference.