

THE INTERNATIONAL CONFERENCE ON NATURAL ASSETS

Project summary:

This project aims to foster international discussion of strategies for increasing the access of low-income communities and individuals to natural resources and to a clean and safe environment, so as to advance the goals of poverty reduction and environmental protection. It will culminate in a conference to bring together leading practitioners and scholars from around the world to share their ideas and experiences. Discussion papers commissioned on a range of relevant topics will be circulated prior to the conference. At the conference, practitioners engaged in community-based environmental movements will discuss diverse experiences, and reflect on whether and how the natural asset-building framework can be adapted to provide a useful tool in their work. The conference may provide a springboard for similar events around the world to be organized by conference participants in their respective regions.

Introduction

Natural asset-building strategies have two central aims: to reduce poverty by promoting sustainable livelihood security for low-income people, and to protect and improve environmental quality. The intersection of these aims draws on several strands of new thinking on poverty and the environment:

- the asset-based approach to poverty that focuses on the need to increase the wealth, as well as the incomes, of the poor;¹
- the recognition that humans can act so as to increase the stock of ‘natural capital,’ even – or perhaps especially – in severely degraded rural and urban environments;² and
- the recognition that improvements in political and economic equity can advance the goal of effective environmental protection.³

Natural assets include both ‘sources’ and ‘sinks’. *Sources* refer to stocks of natural raw

¹ See Michael Sherraden, *Assets and the Poor: A New American Welfare Policy* (New York: M.E. Sharpe, 1991), and Melvin L. Oliver and Thomas M. Shapiro, *Black Wealth/White Wealth: A New Perspective on Racial Inequality* (New York: Routledge, 1995).

² See William Cronon, ed., *Uncommon Ground: Toward Reinventing Nature* (New York: W.W. Norton, 1995); and A.M. Jansson, M. Hammer, C. Folke and R. Costanza, eds., *Investing in Natural Capital: The Ecological Economics Approach to Sustainability* (Washington, DC: Island Press, 1994).

³ See James K. Boyce, *The Political Economy of the Environment* (Cheltenham: Edward Elgar, 2002).

materials, renewable and non-renewable, including land, forests, fisheries, and minerals. *Sinks* refer to the capacities of air, water, and soils to absorb and decompose wastes from human production and consumption. A variety of ownership regimes – private property, common property, state property, and open access – govern natural assets. But like other forms of wealth, natural assets are unevenly distributed: in terms of *de facto* rights as well as *de jure* ownership, the poor typically have fewer rights of access to natural assets.

The scope for natural asset-building strategies to reduce poverty and protect the environment was explored at a conference on ‘Natural Assets: Democratizing Environmental Ownership’ held in Santa Fe, New Mexico, in January 2000. An edited volume, based on papers commissioned for that conference, is now being prepared for publication; in addition, a popular report growing out of that conference was published in February 2001.⁴ A second conference, by and for grassroots activists from community-based environmental organizations, was held in Baton Rouge, Louisiana, in March 2001.⁵

Both these earlier conferences focused on the United States. Yet the scope for natural asset building strategies is by no means confined to the U.S. Indeed, natural capital is especially vital to the livelihoods and well-being of many low-income communities in the global South. The current project aims to broaden and deepen critical thinking on natural asset-building by extending discussion of its potential and limitations internationally.

Natural Asset-Building

Four routes for increasing the access of the poor to natural assets can be distinguished. The first two routes – investment and redistribution – are also relevant to other types of assets, including financial, human, and social capital; the second two routes – internalization and appropriation – are based on distinctive characteristics of certain types of natural assets.

1. Investment

In recent years the dismal assumption that the impacts of human economic activities on natural capital are invariably negative – our only choice being how rapidly to depreciate it – has given way to the more positive vision that humans can also invest in natural capital, so as to expand the stock of natural assets. Such investment is one route by which the natural asset base of the poor can be expanded. Soil and water conservation investments can be

⁴ The report, *Building Natural Assets: New Strategies for Poverty Reduction and Environmental Protection*, was co-published by the Political Economy Research Institute (PERI) and the Center for Popular Economics; it is also available on the Worldwide Web at <http://www.umass.edu/peri/pdfs/RR3.pdf>. Several of the papers written for the Santa Fe conference have been published as PERI working papers; these are also available at the PERI website.

⁵ Both conferences were funded by the Ford Foundation through the Political Economy Research Institute’s Natural Assets Project. The Baton Rouge conference was co-organized with the Riverside, California-based Center for Community Action and Environmental Justice.

targeted, for example, to reduce ‘ecological poverty’ among natural resource-dependent communities by restoring their watersheds, woodlands, and grasslands.⁶

This route is an asset-based version of the ‘redistribution with growth’ philosophy advocated by economists at the World Bank in the 1970s with respect to income distribution. Redistributing the existing national income pie, in these economists’ view, was politically infeasible; instead they sought to channel increments to the income pie at the growing margin of the economy into the hands of the poor.⁷ The investment route applies a similar strategy to asset building, moving toward a more progressive distribution of assets by channeling new investment to asset-poor individuals and communities.

2. Redistribution

The second route involves the redistribution of assets from others (that is, from relatively rich private owners or from governments) to the poor. This route is particularly relevant for non-renewable natural assets such as land and minerals, the supply of which cannot be augmented by investment.

Asset redistribution is invariably politically contentious, yet it can be of great potential importance, as Oliver and Shapiro remark:

[O]ur analysis clearly suggests the need for massive redistributive policies in order to reforge the links between achievement, reward, social equality, and democracy. These policies must take aim at the gross inequality generated by those at the very top of the wealth distribution. Policies of this type are the most difficult ones on which to gain consensus but the most important in creating a more just society.⁸

Particularly where natural assets are the main source of livelihoods for the poor – as in predominantly agrarian societies – asset redistribution can be the single most effective route to poverty reduction. The land reform policies instituted in East Asia after World War Two are perhaps the most well-known example of this strategy.

3. Internalization

In some cases the poor own natural assets that provide valuable ecosystem services to others, and yet they themselves receive little recognition or reward for these services. In other words, the benefits are what economists call ‘positive externalities.’ Rewarding the providers of these services – ‘internalizing’ some of the benefits – would improve the well-

⁶ See Anil Agarwal, ‘Globalisation, Civil Society, and Governance: The Challenges for the 21st Century,’ New Delhi: Centre for Science and the Environment [<http://www.oneworld.org/cse/govern.htm>].

⁷ Hollis Chenery *et al.*, *Redistribution with Growth* (New York: Oxford University Press, 1974).

⁸ *Black Wealth/White Wealth*, p. 9.

being of the poor and strengthen their incentives to continue managing the natural assets under their control so as to serve the public good.

For example, peasant farmers around the world, particularly in historic centers of origin of crops such as Meso-America in the case of maize and south Asia in the case of rice, provide a vital ecological service to humankind via the conservation and ongoing evolution of genetic diversity in our most important crops.⁹ This cultivated biodiversity is a global public good, one that literally helps to feed every person on earth. Yet today the farmers who provide this service get little reward or recognition for doing so. As the logic of the market brings more and more of world agriculture under its sway, rural livelihoods and crop genetic diversity are at risk in many parts of Asia, Africa, and Latin America.

A second example is the role of small farmers and forest landowners in managing watersheds that serve metropolitan areas. Their economic activities include not only the production of crops, livestock, and timber (for which they are paid), but also the production of water (for which typically they are not paid). Hence they have few incentives to take into account the effects of their land-use decisions on the quantity and the quality of water supplies. Rewarding them for watershed protection services could help to both safeguard urban water supplies and raise rural incomes.¹⁰

4. *Appropriation*

Finally, natural asset-building can take place via the appropriation of open-access resources. In theory, open-access resources are freely available to all, but in practice they are available only to those with the ability to claim them. The classic example, popularized by Garrett Hardin's mislabeled 'tragedy of the commons,' is the grazing of animals on open-access rangelands: each individual receives the full benefit from grazing his own animals, but bears only a negligible fraction of the cost of thereby reducing the forage available to all, so that overgrazing is the tragic result.¹¹ The difference between *common property* and *open access* is now well-understood: throughout the world, there are many examples of common-property regimes where informal rules successfully ensure the sustainable management of forests, fisheries, and grazing lands.¹² Hardin's parable therefore is more accurately termed the 'tragedy of open access.'

⁹ See, for example, Stephen Brush, 'Bio-cooperation and the Benefits of Crop Genetic Resources: The Case of Mexican Maize,' *World Development*, Vol. 26, No. 5, 1998.

¹⁰ See, for example, Deborah Barry and Herman Rosa, 'Environmental Degradation and Development Options,' in James K. Boyce, ed., *Economic Policy for Building Peace: The Lessons of El Salvador* (Boulder: Lynne Rienner, 1996).

¹¹ Garret Hardin, 'The Tragedy of the Commons,' *Science* 168, 13 December 1968.

¹² See, for example, Elinor Ostrom, *Governing the Commons: The Evolution of Institutions for Collective Action* (Cambridge: Cambridge University Press, 1990).

What is less widely recognized is that ‘open’ access is often quite inequitable: in the scramble for freely available resources, some are more equal than others. In open-access fisheries, for example, the advantage goes to those who can afford the most efficient – ‘ruthless’ might be a better term – extractive technologies. The resulting inequities are particularly striking in the case of environmental sinks, such as airsheds and watersheds. Everyone may have the same right to pollute, but not everyone has the same power to do so. The fact that a poor person who lives downwind from a chemical plant has the same right to foul the air as the plant’s owners is a hollow form of equality. Open access therefore leads to not one tragedy, but two: the abuse of natural resources, and their appropriation by wealthy and powerful actors at the expense of low-income communities.

In struggles for environmental justice, citizens around the world are increasingly asserting the right to a clean and safe environment.¹³ In effect, they are seeking to re-appropriate rights to environmental sinks. Success in this type of natural asset-building can yield major improvements in the health and environmental quality of low-income communities. If the ‘polluter pays principle’ were to be established as well, successful appropriation of rights to airsheds and watersheds could also yield income in the form of payments for any pollution that the society deems permissible.

Beyond the ‘Environment-Development Tradeoff’

As these examples illustrate, poverty reduction and environmental protection can go together. Investments in natural capital can increase the wealth and incomes of resource-dependent communities, while improving environmental quality. Redistribution of natural assets can place resources in the hands of people with the labor, local knowledge, and motivation to manage these assets sustainably. Internalization of the benefits of ecological services can provide income and stronger incentives for stewardship. The appropriation of rights to clean air and clean water can safeguard the environment and improve the well-being of communities who face disproportionate risks from pollution.

These complementarities stand in a marked contrast to the widespread assumption that there is an inexorable ‘tradeoff’ between poverty reduction and environmental protection. The conventional tradeoff wisdom rests on two dubious propositions: first, that economic growth is incompatible with environmental protection; and second, that the poor pose the greatest threat to the environment, the protection of which is the responsibility of the affluent, in a 21st century reincarnation of the ‘rich man’s burden.’ The natural asset-building framework directly challenges both claims.

Once we recognize the possibility of investing in natural capital, the supposed incompatibility of economic growth and environmental protection disappears; indeed, as ecological economists have argued, it becomes clear that environmental protection is itself a prerequisite for sustainable growth. One important avenue for investment in natural capital is ecological restoration – for example, investment in reforestation and environmental clean-

¹³ This right is guaranteed in many national constitutions. For examples, see James K. Boyce, ‘Let Them Eat Risk: Wealth, Rights, and Disaster Vulnerability,’ *Disasters*, Vol. 24, No. 3, September 2000.

ups. But investment in natural capital can also take the form of continued co-evolutionary interaction between human societies and the ecosystems in which they are embedded. Historical examples include the domestication of crops and livestock, which began some 10,000 years ago, and the subsequent evolution of the wealth of crop genetic diversity we have mentioned above. Contemporary examples include the creation of anthropogenic forests and wetlands, diverse and productive ecosystems that would not exist but for human intervention.¹⁴ Once we define economic growth to mean the enhancement of human capabilities, rather than simply a bigger GNP based on rising throughputs of energy and raw materials, the prospects for environmentally friendly growth further improve. An asset portfolio in which natural assets are appreciated, rather than depreciated, can generate sustainable flows of jobs, income, and human well-being.

The notion that the poor threaten humankind's future has been a recurring theme in the imaginations of the wealthy at least since the era of the Reverend Thomas Malthus, more than two centuries ago. A common interpretation of the 'poverty-environment nexus' builds on this notion, maintaining that poverty drives the poor to degrade the environment in a desperate struggle to survive. While there are undoubtedly such cases, it would be surprising indeed if much of the planet's environmental ills were caused by the poorest 20% of the world's people, since they receive a scant 0.5% of global income. A more plausible hypothesis is that the bulk of environmental degradation is driven by the richest 20%, who garner 79% of world income and whose per capita consumption is more than 100 times higher than that of the poorest fifth.¹⁵

Yet it is the poorest who often bear a disproportionate share of the costs of environmental degradation. When natural resources are depleted, their livelihoods are often the first to suffer. They are most likely to live in the most contaminated and hazardous locations. Their situation is the mirror image of that of the wealthy: the latter reap the lion's share of the benefits from environmentally degrading economic activities, but bear relatively few of the attendant costs; the poor receive little of the benefits, but bear more of the costs. This pattern of gains and losses suggests that the conventional wisdom needs to be stood on its head. That is, the challenge in the coming century is not for the rich to protect the environment from the poor, but rather for the poor to protect the environment from the rich. Natural asset-building is one avenue to strengthen the ability of low-income communities to meet this challenge.

¹⁴ An example of the latter is the *acequia* agro-ecosystems of the upper Rio Grande bioregion in the southwestern United States, where gravity-fed irrigation systems built in the past four centuries by Hispano farmers have transformed semi-arid lands into wetlands supporting diverse domesticated and wild species of plants and animals. Anthropologist Devon Peña has described humans as the 'keystone species' in these ecosystems.

¹⁵ United Nations Development Programme, *Human Development Report 1992*, p. 36.

The Project

The International Natural Assets Project has three phases: (i) the preparation of discussion papers; (ii) the international conference; and (iii) post-conference activities.¹⁶

Discussion papers

We have commissioned 19 discussion papers to be disseminated prior to the conference. The aim of these papers is to provide overviews of a range of relevant issues, and to assess the usefulness of the natural asset-building perspective in addressing the strategies they discuss.

The international conference

The international conference will be held in the Philippines in January 2003. It will bring together activist leaders of grassroots, community-based environmental organizations from around the world, together with the authors of the discussion papers, many of whom are academics.

The conference will be three-and-a-half days in length. The first day of the conference will be devoted primarily to discussions of the natural asset-building framework and the background papers. The second day will be a field trip to nearby sites of community-based natural asset-building initiatives. The third day will be devoted primarily to presentations by the practitioners, reflecting on their experiences and the usefulness of the natural asset-building framework more generally. The final day will be devoted to a discussion of next steps.

Post-conference activities

(i) Publications

The project will have several written products:

- Discussion papers to be circulated by PERI prior to the conference.
- An edited volume containing most or all of the discussion papers, to be published after the conference.
- A popular publication, roughly 30 pages long, on natural asset-building strategies for poverty reduction and environmental protection. This publication will distill the main ideas developed at the conference, illustrating them with examples from around the world. It will be prepared after the conference, and published in English and in translation to promote further dialogue and discussion.

¹⁶ Planning meetings for this conference were held in Oxford, England, in November 2000, and in Santa Cruz, California, in December 2001.

- Op-ed pieces to be published in newspapers in various languages around the world.

(ii) Regional meetings

Conference participants will be encouraged to organize follow-on events in their respective regions of the world, since it is not feasible to bring all those individuals who might wish to engage in this dialogue to the conference in the Philippines. These subsequent meetings will provide a forum for discussions oriented to specific regional concerns. Some funding has been secured to cover core costs (not including travel costs) for regional planning meetings.

The Political Economy Research Institute (PERI) was established at the University of Massachusetts, Amherst, in spring 1998. PERI's mission is to facilitate research, graduate education, and outreach in the area of policy-relevant political economy. The Institute is committed to conducting and disseminating research to inform policy makers and grassroots activists trying to improve living standards for the bulk of the earth's population and to create a more just, democratic, and ecologically sustainable world. More information about PERI can be found at its website, <http://www.umass.edu/peri/>.

The Centre for Science and the Environment (CSE), founded almost two decades ago, is one of India's leading environmental NGOs. Following a strategy of 'knowledge-based activism' – based on respect for democracy, people's participation, traditional knowledge, and modern science – CSE has sought to advance understanding of the importance of sustainable development, especially for the daily survival of India's poor and rural women. CSE's best-known publications include its citizens' reports on the state of India's environment, and the fortnightly magazine *Down to Earth*. More information about CSE can be found at its website, <http://www.cseindia.org/>.