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## **Economic Growth:**

### **Environmental and Social Considerations of Sectoral Reform**

USAID's primary mission is to support long term economic growth to improve the lives of the poor. Sound environmental and natural resource policies and effective institutions to develop and implement them are critical to sustain growth and well-being in poor, resource dependent countries because they establish incentives for people and businesses to use, but not abuse, resources and to maintain air and water quality needed for good health and expanding productivity.

#### **How Environmental Policy Affects Growth and the Well-Being of the Poor**

- *Using resources efficiently enables entrepreneurs to grow their businesses.* Policies that encourage reduced use of scarce resources, or substitution of plentiful (therefore inexpensive) resources for scarce, more costly ones, enable the private sector to maintain and increase production sustainably.
- *Use of clean production techniques helps make goods competitive and attractive in international markets.* Policies that promote clean production make goods more attractive to environmentally-conscious western consumers. Adoption of internationally recognized environmental management systems, such as ISO 14001, assures buyers that the products they are purchasing were produced in ways that minimize environmental damage.
- *Maintaining the capacity of the environment to provide services to the productive sectors of the economy helps keep costs low.* Sound policy, effectively implemented, and institutions that foster environmental investments, help reduce pollution and, assure that critical services provided to producers at no/low cost by clean, abundant water; unpolluted air; healthy forests, coastal and other ecosystems, etc., remain available and cheap.
- *Sound policies require strong institutions.* Choosing and effectively implementing policies that maintain environmental quality and sustain the natural resource base, while also promoting long-term economic growth requires building strong analytical, management and communications capacity in host country government institutions, think tanks, NGOs and private, for profit firms.
- *Keeping the golden goose alive and well.* Policies and practices that sustain the natural beauty that attracts tourists, keeps them coming, and coming back. More broadly, policies that protect resources needed for resource-based economic sectors, such as shade-grown coffee, marine and forest products, etc., are very important to the sustainability of the sector.
- *Democratic governance of environmental and natural resources is closely associated with sustainable growth, and with the equitable sharing of its benefits.* Environmental issues can serve as a rallying point around which diverse constituencies coalesce, fostering participatory governance processes. In turn, such processes promote equitable growth by assuring that national patrimony is used (and sustained) for the benefit of all.

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.