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UNCED AND DEVELOPING COUNTRY INTERESTS

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The United Nations Conference on Environment and Development (UNCED) meets in Rio de Janeiro in June. The Conference agenda attempts to reflect the interests of countries at different stages of development and with varying environmental concerns. The preoccupations of industrial countries such as global warming have been well rehearsed in preparations for the Conference (see Box 1). But the set of environmental issues facing less developed countries (ldcs) is typically at variance with that confronting most developed countries (dcs).

This Briefing Paper aims to identify the interests of developing countries at the Conference. It starts with an account of ldcs' typical environmental problems, and how they differ from those of dcs. It then considers the principles likely to guide the negotiations of ldcs: that environmental interests are best served by policies that lead to development and that the choice of solutions should respect each country's economic advantage. The Paper then considers the scope for progress in the three subject areas - climate change, tropical forests and biodiversity - before concluding on the question of funding.

Environmental problems of ldcs

International environmental concerns tend to be biased by the preoccupations of dcs - carbon dioxide emissions, stratospheric ozone depletion, the loss of rare genetic species, problems with the disposal of toxic and municipal waste, etc. Although the ldcs also suffer from these problems, the majority of their people are more likely to be concerned with such vital issues as water supply, bad sanitation, soil erosion, the depletion of local wood supplies, local air pollution from coal burning, and the damage to family health from indoor cooking fires.

However, if the predictions of the effects of global climatic change are correct, some of the worst victims will be poor countries such as Bangladesh, Egypt, and islands in the Indian and South Pacific Oceans. Global warming will also aggravate water shortage, which most developing countries are experiencing in various degrees.

But many more people are at risk from local environmental degradation. It is claimed* that around 200 million people live in, or depend on, rapidly depleting tropical forests; 800 million are potentially affected by dryland degradation; 1 billion rely on irrigation, which is vulnerable to water supply shortages

and soil salinisation; 500 million occupy degrading watersheds and another 400 million are vulnerable to the resulting downstream siltation. 1.2 billion people lack adequate safe water, and 1.8 billion lack proper sanitation. 1.2 billion people live in cities that do not meet WHO standards on dust and smoke, and 900 million in cities exceeding standards for sulphur dioxide.

Box 1. Preparations for UNCED

Twenty years ago a UN Stockholm Conference focused world attention on the environment. It led to several initiatives, such as the creation of the UN Environment Programme (UNEP), its Global Environment Monitoring System (GEMS), and the Convention on Endangered Species (CITES). The Brundtland Report of the World Commission on Environment and Development in 1987 started the momentum leading to Rio de Janeiro, culminating in the decision in 1989 by the UN General Assembly to hold an international conference to review progress since Stockholm. Many countries will be represented by Heads of State or Government. The secretariat is based in Switzerland headed by Maurice Strong. Four Preparatory Committees were held to identify progress on potential agreements and sticking points.

UNCED is expected to lead to:

- signature of conventions on climate change and biodiversity
- declaration or statement of principles on forests
- declaration of rights and obligations of governments and individuals in respect of the environment and development - which will become the Earth Charter, or Rio Declaration.
- adoption of Agenda 21, a comprehensive action plan for protecting the environment and reconciling it with development
- agreement on future legal and institutional frameworks for implementing these measures.

A feature of the Conference and the preparations for it has been the heavy involvement of Non-Governmental Organisations (NGOs). NGOs have been widely consulted by governments in the preparation of national environmental papers and have been prominent in the extensive series of preparatory committees.

* See, for example, World Bank, *World Development Report* 1992, and Leonard (ed), *Environment and the poor*, Overseas Development Council, 1989.

Although many local environmental problems have some international dimension, for most of them this is rather slight. Lasting remedies for desertification, overgrazing, water supply, sanitation, deforestation, loss of biodiversity, and local air pollution depend largely on local and national policies and actions. International aid may help these problems, but could not be expected to solve them.

Development and the Environment

The view from many Ldcs is that growth must continue if living standards are to rise, and poverty is itself a polluter. Problems of affluence are easier to tackle than those of poverty, because resources are more plentiful and options are greater. The view is that development and environmental protection should be complementary. Policies that promote continued growth should therefore be upheld, including trade and foreign investment, provided their environmental implications are understood and - to the greatest extent possible - controlled.

Looking after the environment is also seen as essential to an economy's productivity and economic performance. The costs of environmental degradation to economic growth are starting to be quantified. Some estimates cast doubt on the record of a number of countries' apparent growth rates, such as Indonesia and Costa Rica. There are potent - but not always easily realisable - economic benefits from arresting soil erosion, reversing salinisation, preserving biodiversity, and introducing more discriminating logging methods. Similarly, examples such as large-scale logging, conversion of mangrove swamps for intensive aquaculture, and forest clearing for livestock ranching prove to have embodied large hidden costs.

In practice the notion of a trade-off between economic and environmental benefits is highly misleading. Environmental and economic benefits coincide across a sizeable area. Actions that help to preserve the environment are often profitable in financial and economic terms. Energy-efficiency measures, the recycling and retreatment of waste water, the reduction of power losses in distribution and the reuse of waste materials are common examples.

Targets and agreements

Achieving a consensus about the seriousness of the problem is a pre-condition of any solutions involving global targets and objectives. The negotiating parties are still some way apart on such matters as global warming, and the justification for international action being brought to bear on the use of national forests.

If agreement can be reached on the need for action and the scale of the effort required, the likely next step will be to fix global and national targets, such as carbon emission levels, or tree-planting programmes. It is the developing country view that in everyone's interest flexibility should be retained over how global targets are implemented. The choice of solutions should be the course of action which is the least-cost option for each country.

The principle can be extended further. It has been

argued that countries could be allowed to trade their commitments. Trading might improve the prospects for international action if it reduced the global costs of achieving environmental aims, and created financial flows which would simulate and ideally supplement those of aid programmes. The argument - as yet not subjected to detailed scrutiny - is that some larger Ldcs could profit substantially from the application of this principle, by undertaking emissions abatement, or afforestation, or other measures on behalf of dcs, in return for financial flows and technology transfers.

Trade could take various forms. The USA, for example, could offer to invest in India's energy-efficiency as a more efficient contribution to carbon emissions targets than undertaking the work, at higher cost, in its own economy. Brazil could undertake to reduce Amazon burning rather than switch its fuel sources. Other countries might offer to switch to a cleaner fuel source in return for extra international aid. Some of these actions would qualify for more than one convention: a halt to forest burning would, for instance, contribute to all three conventions, climate change, tropical forestry and biodiversity.

Possible outcomes

We now examine the potential scope of outcomes in three subject areas, climate change, tropical forests and biological diversity. Framework conventions on climate change and biodiversity are being negotiated separately, and are expected to be available for signature in Rio de Janeiro. As for forests, once the principles for their sustainable management are agreed a legal convention may follow. The success of the Conference is likely to be judged mainly on the progress it makes on these three items.

Global climate change

The negotiating positions of the various parties are still widely divergent. Ldcs insist on the freedom to grow, even if this produces greater emissions of greenhouse gases. Some (notably China) have massive reserves of coal and limited possibilities for substituting low-carbon energy sources such as natural gas or some renewables. These countries may make common cause with the USA in resisting measures (such as carbon taxes) to increase the price of fossil fuels, play down the cost of global warming, and stress the high domestic costs of carbon abatement.

At the same time, many poor industrialising countries face a heavy cost of providing energy, and huge financial gaps are projected in the energy sector. The solutions that will interest them are likely to revolve around energy efficiency, backed with international financial aid and loans, and supported by enhanced technology transfer and innovation.

The majority of African countries, and some others, rely heavily on fuelwood as a source of energy. In their case, substitution away from fossil fuels would entail greater exploitation of their tree stocks, which in many cases are declining. The case for subsidising kerosene or liquid petroleum gas for household use is strong, though few countries have sufficiently robust public

Box 2: The Global Environmental Facility

The Global Environment Facility (GEF) is a three-year experiment that provides grants for investment projects, technical assistance, and research to assist developing countries to protect the global environment and to transfer environmentally benign technologies. It held its first meeting in May 1991.

Funding

The GEF has funds from three sources. The so-called 'core fund' is the global environment trust fund (GET), with about \$800m in commitments financed by official donors. Secondly, cofinancing arrangements (about \$300m) are available on grant or highly concessional terms. The GEF also includes about \$200m provided under the Montreal Protocol to help developing countries comply with its provisions to phase out ozone-destroying substances. The last two funds are administered by UNEP.

Tripartite Administration

Overall, the *World Bank* administers the Facility, is responsible for investment projects and chairs the Fund.

UNEP provides the secretariat for the Scientific and Technical Advisory Panel.

UNDP is responsible for technical assistance activities and helps to identify projects through pre-investment studies. It runs the small grants programme for NGOs.

Mohamed El-Ashry, Director of the World Bank's Environment Department, is in charge.

Eligibility

All countries with a per capita income of less than \$4,000 a year and a UNDP programme in place are eligible.

Review

By mid-1994 all funds should be committed, although disbursement is likely to continue until 1997 or 1998. The effectiveness and operations of the GEF will be scrutinised at UNCED.

finances to do this on a major scale. Reforestation for fuelwood is rarely profitable, unless credit can be given for its environmental benefits, including its international value as a carbon sink.

It is unlikely that the Conference will make much progress with the more imaginative proposals for trading and leasing 'quotas to pollute'. One proposal is to create rights to emit carbon based on the size of the adult population. Countries that do not use up their quotas could sell or lease them to others with a deficit. Since countries with a surplus would tend to be poorer than those with a deficit, the resulting pattern of trade would mimic aid flows. Most ldc's would benefit from such a scheme, but it is unlikely to receive backing from deficit countries such as the USA and Russia or

the EC. Policing it would also be very difficult.

Tropical forests

Ldcs with forests regard them as national resources to be exploited as they think fit in the course of development. Dcs - which have used most of their forests already - stress their global value in climate stabilisation and as reserves of biodiversity. In effect, preserving forests has a global environmental benefit (externality) which is not at present captured by host countries. Any progress on this issue is obviously dependent on transferring (internalising) the external share of the benefit to host countries, supplementing the part which is already captured locally.

The prospects for a satisfactory agreement at UNCED are not bright. The Conference has authority to deal with forestry, and some dcs are pressing for a Forestry Convention. But ldcs view this as a threat to their sovereignty and a constraint on their search for income and export revenue. They could however, treat it as a *quid pro quo* on an eventual energy protocol.

Ldcs feel it is reasonable to seek compensation for abstaining from continued exploitation of forests, or scaling down their operations to a 'sustainable yield' basis. To some extent this aim could be pursued in the parallel negotiations on climate change and biodiversity - with ldcs taking credit for altering their forestry actions in return for financial flows. Within the forest sector itself, aid transfers can help diversification, create viable buffer zones, and relieve pressure on forested areas. In the common case where timber exploitation is unsustainable, the ldcs' own interests may lie in promoting sustainable yield methods, though there are major problems in translating this principle into practice.

International policy on forestry is coordinated under the Tropical Forestry Action Programme (TFAP). The current arrangements offer few real constraints on national actions and there may be moves in UNCED to create a consultative forum to guide TFAP, but its real effect is unlikely to be significant.

Biodiversity

Much of the world's biodiversity is held by ldcs, while the bulk of the biotechnology industry that uses these resources is located in dcs. The broad lines of conflict are clear: ldcs want greater control over access to their biodiversity in order to extract more of the rent from its use, while richer countries claim the right of continued access to these reserves for the benefit of mankind (and their own customers). Preparatory Committee negotiations have also been complicated by the bracketing together of biodiversity and biotechnology.

Biodiversity is a case of a public good, one which everyone can enjoy, no-one can be excluded from, and which there is no private incentive to protect. Hence it is being lost at a rapid rate. The host countries are losing a potential source of income (as well as vital habitats) while everyone loses potentially valuable biological resources. Ldcs need an incentive to preserve and defend their biodiversity, and this requires that they should be able to establish property rights which can be

Table 1: Indicative costs of selected environmental programmes in developing countries

| | Additional investment (US\$bn per year) |
|---|--|
| Increased investment in water and sanitation | 10 |
| Controlling particulate matter from coal fired power stations | 2 |
| Reducing acid deposition from new coal-fired stations | 5 |
| Changing to unleaded fuels and controls on the main pollution from vehicles | 10 |
| Reducing emission, effluents, and wastes from industry | 10-15 |
| Soil conservation and afforestation | 15-20 |
| Agricultural and forestry research | 5 |
| Family Planning | 7 |

Source: World Development Report 1992

enforced.

Some options have been proposed at the national level. Charitable or non-profit making institutes in dcs (e.g. the US National Cancer Institute) could contract for the use of wild genetic material with host governments, in return for fees or revenue sharing. Private companies could support national scientific institutes, in return for exclusive rights to screen their collections (e.g. Merck's agreement with Costa Rica's National Biodiversity Institute). In principle, host governments could develop and exploit genetic resources on their own account. Foreign companies or institutes could be given concessions to prospect and develop biodiverse reserves, and could have the rights to exclude others for limited periods.

The common need is for local governments or communities to acquire rights which translate into a financial incentive to conserve biodiverse resources. The definition and development of such property rights seems a more promising approach to protecting biodiversity than one depending on altruism or large international public financial flows.

Conclusion

Ldcs can turn the Rio de Janeiro Conference into an opportunity for obtaining additional resources for development. But holding out for substantial compensation, on the pretence that abstaining from certain activities has a high national cost, could backfire. It will be more realistic to press for full compensation for carrying out measures whose national costs and international benefits they do not fully share.

A half-successful outcome of the Conference could result in a mixture of national policy changes and increased aid. There is, for example, a case for boosting the Global Environment Facility (Box 2), which is expressly designed to compensate for the global externalities of projects.

The UNCED Secretariat have suggested that implementing Agenda 21 might have an additional annual aid cost of \$125bn. Ldcs are taking the view that this should be fully additional to current aid levels, and should not involve any substitution. World Bank estimates of additional environmental actions in ldcs are costed more modestly at US\$75bn annually from 2000. These estimates are based on a number of programmes (see Table 1).

Some ldcs argue that these sums might be raised through creating a new Green Fund, financed by contributions from dcs based on a formula as yet unspecified. Dcs are hostile to the creation of a new fund and the suggestion that the Green Fund should be fed by the proceeds of an international carbon tax is also insufficiently realistic for the dcs to contemplate at present.

A likely outcome is agreement to increase the resources of the GEF, reform its governing body to give the ldcs more influence, and encourage ldcs to draw up national plans of environmental action whose financing would be discussed in the framework of Consultative Group meetings. Discussion is unlikely to linger for long on the \$125bn price tag. That would stiffen negotiating positions, divert attention from the need for policy reforms, particularly among the dcs, and provide the wrong yardstick for measuring the success of the Conference.

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For further information please contact James Winpenny at ODI.

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