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To: Members of the Executive Board

From: The Secretary

Subject: United Nations Conference on Environment and Development

- Attached for the information of the Executive Directors is a report on the United Nations Conference on Environment and Development held in Rio de Janeiro from June 3 to 14, 1992.

Mr. R. Bhatia (ext. 36959) is available to answer technical or factual questions relating to this paper.

Att: (1)

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INTERNATIONAL MONETARY FUND

Policy Development and Review Department

United Nations Conference on Environment and Development

Prepared by the Special Representative to the United Nations
(In collaboration with the Fiscal Affairs Department)

July 30, 1992

The United Nations Conference on Environment and Development (UNCED) was held in Rio de Janeiro, June 3-14, 1992 at the Heads of State/Government level and adopted wide-ranging principles and recommendations to ameliorate the Earth's environment and improve the economic and social lot of its inhabitants. 1/ It adopted, for transmission to the next, 47th, session of the General Assembly three texts: the Rio Declaration on Environment and Development, Agenda 21, and the Authoritative Statement of the Principles for a Global Consensus on the Management, Conservation and Sustainable Development of All Types of Forests. In addition, two legally-binding conventions were negotiated in a parallel process to UNCED, the United Nations Framework Convention on Climate Change, and the Convention on Biological Diversity, both of which were opened for signature during UNCED.

The above agreements were a result of a preparatory and negotiating process spanned over nearly two years. A major contribution of the Conference must be seen in its success in emphasizing the inter-linkages between developmental and environmental issues, and in promoting the concept of "sustainable development" that comprises not only growth in aggregate GNP but also, inter-alia, poverty alleviation, income distribution, protection of the vulnerable and the poor, and appropriate patterns of consumption and production, as well as some balance in the use of resources by present and future generations. The Conference also furthered the perception that addressing these problems requires explicit international cooperation and support as well as specific domestic policies and actions. The actions below summarize the contents of the above-mentioned documents and highlight those of immediate interest to the Fund.

1. Rio Declaration on Environment and Development

The Rio Declaration is an agreed set of 27 principles which should govern the economic and environmental behavior of nations in the pursuit of "sustainable development". The Declaration asserts that human beings are the center of concern, and that environmental protection and poverty

1/ The Fund was represented at UNCED by Messrs. Rattan J. Bhatia and David Nellor. The Managing Director addressed the plenary of the Conference on June 8, 1992.

eradication constitute indispensable requirements for such development. Furthermore, while encouraging cooperation and global partnership, the Rio Declaration notes that States have common but differentiated responsibility in the international pursuit of sustainable development where "the developed countries acknowledge the responsibility that they bear ... in view of the pressures their societies place on the global environment and of the technologies and financial resources they command". The Declaration also enjoins states to reduce and eliminate unsustainable patterns of production and consumption and promote appropriate demographic policies, to promote the internalization of environmental costs and the use of economic instruments, taking into account the "polluter-should-pay" principle and to assess the environmental impact of their proposed activities. States should also cooperate among themselves to promote a supportive and open international economic system, and to ensure that trade policy measures for environmental purposes do not become a means of arbitrary discrimination or a disguised restriction on international trade.

2. Agenda 21

Agenda 21 is a compendium of objectives, actions, and means of implementation in 115 different program areas that concertize UNCED's concept of "sustainable development." It is conceptually the most comprehensive and far-reaching UN program of action that integrates developmental and environmental objectives which need to be pursued simultaneously in a mutually supportive manner. It also delineates a framework for cooperation amongst governments and other bodies.

In principle, Agenda 21 is all inclusive of the programs needed to achieve the objectives and, therefore, includes ongoing domestic and international programs, including in areas of macroeconomic stabilization and adjustment. It recognizes the relevance of national and international economic policies, including a supportive external environment, for the development of developing countries. Accordingly, it urges trade liberalization to provide greater market access for exports of developing countries and improved functioning of commodity markets, and provision of adequate financial resources through enhanced ODA and greater debt relief. It also encourages domestic policies, in both developed and developing countries that would stimulate national savings, and recommends international technical assistance to developing countries for national capacity building in policy development and implementation.

Alleviation of poverty occupies a prominent place in Agenda 21, in the belief that a specific anti-poverty strategy is one of the basic conditions for ensuring sustainable development. This strategy would cover a variety of sectoral interventions, in particular in the areas of basic education, primary/maternal health care, the advancement of women, and the provision of productive assets to the poor.

Agenda 21 also focuses on "unsustainable patterns of production and consumption" that are destructive of environment and recommends policy

actions and strategies (e.g., dissemination of environmentally sound technologies, implementing environmentally sound policies such as environmental charges and taxes, deposit/refund systems, etc.) focussing on demand, and on reducing wastage in the use of finite resources in the production processes.

Prominent attention is also given in Agenda 21 to the links between demographic trends and sustainable development. It recognizes that the growth of world population and production, combined with unsustainable consumption patterns, places increasingly severe stress on the environment, and that strategies must be developed to mitigate its adverse impact. Programs are therefore included in the Agenda to incorporate demographic features into policies and plans of Governments, to raise awareness of the impact of demographic trends on the environment, and to support programs that will change those trends towards sustainability.

Agricultural and rural development is another area in which Agenda 21 recommends a series of programs, including agriculture policy (especially food security), diversification of farm and non-farm employment and infrastructure development, land-resource planning conservation and rehabilitation, water conservation, integrated pest management, and plant nutrition. It recommends that, in these areas, UN agencies and regional organizations, bilateral donor agencies, and other bodies should work with national governments to implement appropriate policies and projects.

The UNCED Secretariat estimates that the implementation of all the programs included in Agenda 21 would cost the developing countries about US\$600 billion annually, of which US\$125 billion are attributed to come as grants and concessional loans from the developed countries; ^{1/} this latter amount implies increasing ODA to about 1 percent of the GNP of developed countries. The Secretariat's estimate was not subjected to any examination and merely noted as such in Agenda 21. Discussions in the Conference rather focussed on the developed countries meeting the current UN-sponsored target of 0.7 percent of GNP and the time frame within which that target could be reached. In the end, the agreement, as retained in Agenda 21, foresees a "menu" approach that categorizes countries according to their preferences; some "reaffirming" the 0.7 percent target and agreeing to reach that target by the year 2000, others agreeing to meet that target "as soon as possible to ensure a prompt and effective implementation of Agenda 21," while others who have already reached the target being encouraged now to make available the substantial additional resources that have to be mobilized," and yet others "in line with their support for reform efforts in developing countries agree to make their best efforts to increase their level of ODA."

^{1/} These estimates were based on separate estimates for each of the programs included in Agenda 21. Thus, poverty alleviation programs are estimated to require \$30 billion annually (\$15.0 billion from ODA flows), while agricultural and rural development programs would cost \$45.0 billion (\$9.6 billion of ODA).

It is expected that a donors' conference will be organized during the forthcoming 47th session of the General Assembly to seek initial contributions in support of the implementation of Agenda 21.

Within this general framework of financing, UNCED lent its support to World Bank President Preston's suggestion for an "earth increment" adjunct to IDA replenishment. As mentioned above, the Global Environment Facility (GEF) was accepted as a mechanism for implementing global environmental aspects of Agenda 21. For this purpose, GEF will undergo appropriate modifications in its governance ("transparent and democratic") and coverage ("to cover the agreed incremental costs of relevant activities under Agenda 21, in particular for developing countries"), and provide assistance "without introducing new forms of conditionality."

Recognizing the importance of technology in promoting environmentally friendly production techniques, developed countries have undertaken in Agenda 21 to continue to explore appropriate modalities of assured transfer of technology to promote, facilitate, and finance, as appropriate, enhanced access by developing countries to relevant technologies. Agenda 21 also requires states to take measures to protect intellectual property rights, and to provide equitable and adequate compensation when compulsorily acquiring that technology.

In order to ensure the effective follow-up to the Conference, including monitoring the implementation of Agenda 21, UNCED recommended that a high-level Commission on Sustainable Development be established under Article 68 of the Charter of the United Nations. The Commission will report to ECOSOC and encourage active involvement of Governments, inter-governmental bodies and UN specialized agencies, multilateral financial and developmental institutions, and NGOs. The Secretary-General of the United Nations is currently preparing a report for the General Assembly on the specific procedural and organizational modalities for the Commission as well as other matters related to UNCED institutional follow-up. It is expected that the Commission will regularly review not only the environmental issues but also the developmental and financial issues covered in Agenda 21. It will, therefore, interact actively with the international financial institutions, including the Fund.

3. Forest Principles

The Statement on Forest Principles was adopted in recognition of the fact that forests are related to the entire range of environmental and development issues and opportunities. On the one hand, forests are a rich national resource for exploitable forest products and for international trade in those products. On the other hand, forests are seen as important natural carbon sinks and reservoirs and, therefore, highly relevant to environment preservation. The agreed Principles aim at reconciling these, sometimes conflicting, national and international interests by encouraging sustainable forest management in accordance with national development policies and priorities and on the basis of environmentally sound national

guidelines that take into account relevant internationally agreed methodologies and criteria. They also recognize that technology and profits from access to forestry resources should be shared on mutually agreed terms between national governments and multinational corporations and other bodies exploiting those resources.

4. UN Framework Convention on Climate Change

The overall objective of the Convention is to stabilize atmospheric concentrations of greenhouse gases at a level that would prevent dangerous interference with the climate. To that effect, the Convention encompasses general principles, commitments, and obligations for the signatory states. The Convention implies that the developed countries would take steps to stabilize emission of carbon dioxide and other greenhouse gases, while recognizing that returning to earlier (the year 1990), levels of emissions by the end of the present decade would contribute to the achievement of the Convention's objectives. To enable developing countries to meet their obligations under the Convention, the developed countries have agreed to provide "new and additional financial assistance, including for financing technology transfers". The Convention identifies the Global Environment Facility (GEF) as the mechanism to be used for this latter purpose.

The Convention, which was opened for signature during UNCED, has been signed by 154 member states but for it to enter into force it must be ratified by the national legislatures of at least 50 countries.

5. Framework Convention on Biological Diversity.

This Convention, negotiated under the sponsorship of the United Nations Environment Programme (UNEP), was also opened for signature during the Rio Conference and signed by 153 member states. It will enter into force after ratification by at least 30 countries. Its objectives include the "conservation of biological diversity, the sustainable use of its components, and the fair and equitable sharing of the benefits arising out of the utilization of generic resources, including appropriate access to genetic resources and appropriate transfer of relevant technologies." As in the Convention on Climate Change, developed countries that sign the Convention agree to provide "new and additional" financial resources to enable developing countries to meet the full costs to them of implementing the provisions of the Convention; proposals on country contributions will be forwarded to the Convention's first Conference of the Parties while, in the interim, the GEF will handle these contributions. It may be noted that in Agenda 21 the UNCED Secretariat estimated that around US\$3.5 billion annually would be needed to conserve biodiversity already under threat, and for creating the infrastructure necessary to secure a fair distribution of the benefits flowing from the utilization of biodiversity.

Developing countries see national ownership of biological wealth as a mechanism for generating savings and seeking favorable terms for the transfer of biotechnology. Some developed countries felt that the

biodiversity Convention could be in conflict with GATT negotiations over intellectual property rights.

Concluding remarks

Results of UNCED, especially Agenda 21, are of relevance to the Fund's work. Agenda 21 contains various proposals for domestic action that will have financial and fiscal implications which the staff may need to examine with national authorities, in conjunction with the examination of other financial and fiscal policies, to ensure their mutual consistency with the macro policy framework. The staff may also have to review the impact of macro policies on the environment for which purpose it is apprising itself of appropriate materials produced outside the Fund. It is expected that the staff will be asked to collaborate with the work of the proposed high-level Commission on Sustainable Development and its Secretariat, as well as to participate in the arrangements the Secretary-General of the United Nations will be making for inter-agency collaboration in the monitoring of the implementation of UNCED decisions.