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CSD HIGHLIGHTS MONDAY, 22 APRIL 1996

Delegates to the fourth session of the Commission on Sustainable Development (CSD-4) heard a report from the *Ad Hoc* Working Group on Finance and Production and Consumption Patterns during the morning meeting. A discussion and panel on the same issues followed during the morning and afternoon. A contact group, chaired by Svante Bodin, met during the afternoon to consider text in the Chair's Report from the *Ad Hoc* Working Group on Sectoral Issues.

FINANCE AND CONSUMPTION AND PRODUCTION PATTERNS

Lin See-Yan, Chair of the Working Group, presented the Report (E/CN.17/1996/7) of the *Ad Hoc* Intersessional Working Group on Finance and Changing Consumption and Production Patterns. Regarding changing consumption and production patterns, he highlighted: trends; the impact on developing countries; evaluating policy measures; progress on implementation; and further work on revised guidelines for consumer protection. Regarding financial resources and mechanisms, he highlighted mobilizing international and national resources and the feasibility of innovative mechanisms.

The EU emphasized interlinkages between finance and changing consumption and production patterns. He stated that ODA is insufficient to implement Agenda 21. He emphasized enabling policies to promote non-ODA resources, including private capital and domestic resources, and innovative mechanisms. ODA, he added, should be used effectively, and he affirmed a commitment to provide 0.7% of GNP as ODA.

The G-77/CHINA focused on changing energy production and consumption, underscoring the qualitative and quantitative differences between changing these patterns in developed countries versus developing countries. He noted that the problem in developing countries is particularly acute, and asked for consideration of the effectiveness of policies intended to change consumption and production patterns, and of UNEP's guidelines for consumer protection.

INDIA emphasized links between macroeconomic policies, external debt burdens of developing countries, trade issues and the importance of technology transfer to developing countries. NORWAY called for political action to mobilize ODA and to use the Polluter Pays Principle. He stated that the suggestion in the *Ad*

Hoc Working Group's report to study the international transportation of oil was not discussed by the meeting. PAKISTAN expressed disappointment about insufficient progress in achieving the ODA target. Environmental issues should be treated in the context of macroeconomic policies. Eco-efficiency initiatives should not be a substitute for changes in unsustainable lifestyles. The US reiterated that this was not among the countries committed to a 0.7% ODA target. A US priority is increasing the efficient use of current resources and innovative mechanisms. He called for governmental reports on sustainable procurement policies in 1997, and for the CSD to focus on ISDs, eco-efficiency, and sustainable production and consumption. CHINA echoed disappointment regarding the international community's financial commitment. Historically, environmental pollution has been related to the expansion of private capital. Private capital is not a panacea. JAPAN reported progress in honoring financial commitments made at UNCED. The ODA decline will not be reversed by mere rhetoric but by enlightened political leadership, supported by public opinion. Bilateral and multilateral ODA must be understood as a win-win strategy for peace and world security.

BRAZIL noted the importance of environmentally sound technologies (ESTs) that are also socially acceptable and economically feasible, and available on a concessional basis. He stated that the concept of eco-efficiency cannot be a substitute for lifestyle changes. CUBA called for a dialogue and exchange of information and experiences with innovative mechanisms.

The REPUBLIC OF KOREA called for further analysis of the impacts on developing countries of changes in consumption in developed countries. She suggested that a voluntary carbon tax could be adopted at the domestic level. The OECD has done considerable work on financial flows and economic instruments, including subsidies. In May 1995, the OECD Development Assistance Committee (DAC) agreed on new "Development Partnerships in the New Global Context." A workshop co-sponsored by OECD on consumption and production patterns found that eco-efficiency is a promising strategy and called for examination of the interlinkages between consumption and production patterns in OECD and non-OECD countries.

SWITZERLAND and OECD will organize a meeting in February 1997 on the impact of public purchasing policies. The NETHERLANDS COMMITTEE FOR IUCN, on behalf of several NGOs, stated that the new regimes for investment and trade undermine the objectives of Rio. She called for local community

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input on major infrastructure programmes. KENGO, on behalf of several NGOs, called for: the WTO to take into account the impacts of trade on sustainable development; a ban on patents for living material; and the removal of subsidies that encourage unsustainable activities.

AUSTRALIA supported the continued development of the matrix and welcomed emphasis on the need to remove environmentally damaging subsidies. POLAND emphasized that ODA should remain the primary instrument for financing sustainable development. Sustainable consumption requires administrative and economic instruments, public participation and environmental education. The PHILIPPINES expressed concern on eco-labeling, which could be a new form of non-tariff barrier. She called for a comprehensive strategy for the problem of debt management and noted that innovative partnerships must be mutually beneficially.

BULGARIA noted it is developing instruments to encourage a shift towards sustainable consumption and production, with foreign investment assistance. GUYANA stated that political will is the single most important factor for implementation of Agenda 21. BANGLADESH said it has taken measures to attract private investment, however prior injection of ODA assistance will be necessary for infrastructural improvement. MEXICO expressed concern at the CSD's new emphasis on national implementation and said even the ODA target of 0.7% is insufficient. MALAYSIA stressed the role of ODA in sectors that do not fully benefit from private investment. The findings of the working group on finance should be taken up by ECOSOC for implementation.

The UK stressed identifying win-win situations in addressing energy efficiency in developing countries. He noted that ODA should not focus on transferring specific technology but on building a policy framework to stimulate technology transfer. INDONESIA encouraged countries to establish a timetable for progressive ODA increases and stressed technology transfer on concessional terms. She said the absence of adequate financial flows could jeopardize the existing accomplishments resulting from UNCED.

PANEL ON FINANCE

Roberto De Ocampo, Finance Minister (Philippines), recounted national progress made toward sustainable development as a result of policy changes that promote economic liberalization and empowerment, ensure sound infrastructure, and streamline bureaucracy. Recent economic targets were exceeded. James Michel, OECD Development Assistance Committee, stated that the volume of ODA has remained constant over the last decade, but it is not keeping pace with the growth in the OECD countries, which suggests a lower priority. He noted that political support for ODA is linked to development education and a convincing vision of the importance of sustainable development is needed. ODA should build the capacity of developing countries to receive private sector flows.

Andrew Steer, Director of the World Bank Environment Department, stressed the need for long-term consistent policies and risk management, and for reshaping private finance policy in recipient countries. He also noted that careful analysis of cost assessments can substantially lower the cost of environmental measures. Responding to questions, he acknowledged that government decisions to implement sustainability often require political courage and forward planning, harnessing new constituencies with the assistance of NGOs. Regarding debt relief, he said there is a framework established for identifying countries

that are "debt stressed," i.e. with no prospective work out period over 5 to 10 years.

Fridrik Sophusson, Finance Minister (Iceland), noted that, while market economies are well suited to the provision of goods and services, government action is often needed to redirect patterns of consumption and production to further sustainable development. In Iceland, the shift from oil to geothermal energy was initiated by the government. On economic instruments, he said Nordic taxation policies have been sensitive to impacts where levels are already high. At a time when ODA flow is diminishing a new international tax warrants consideration. Luise Diogo, Deputy Finance Minister (Mozambique), described the need to link financial help for sustainability and debt relief in poorer countries. She said it will be difficult to reverse low ODA and there should be a focus on increased efficiency. Substantial progress has been made in the uses of aid. Developing countries should involve the private sector in deciding policies to take account of social impacts.

Ved Gandhi, Assistant Director, Fiscal Affairs Department, International Monetary Fund, underscored: the reliance of foreign investment on sound national economic and social policies; reducing environmentally-damaging subsidies; and encouraging the IMF and World Bank to study the technical issues of sustainable development. The IMF will: perform further technical work on taxes, subsidies and user prices; ensure that its advice does not curtail institutional capacity; help with countries' macroeconomic stability; and involve finance ministers in decision-making on sustainable development.

IN THE CORRIDORS

Although many delegates approved of the overall treatment of issues contained within the report of the *Ad Hoc* Working Group on finance, most expressed disappointment at the level of technical detail, which was perceived as inadequate. Some delegates noted that even so-called "expert group" meetings are hobbled by the limited participation of governmental representatives only. Others praised informal expert meetings sponsored by governments as effective fora for the free exchange of technical information, although some pointed out that such meetings, often sponsored by Northern governments, may not be wholly impartial in their treatment of particular topics. The debate over the usefulness and cost-effectiveness of intersessional working group meetings continues.

THINGS TO LOOK FOR TODAY

PLENARY: The Plenary is expected to meet in Conference Room 1 during the morning and afternoon to hear a report from the *Ad Hoc* Group on Sectoral issues. A Panel focusing on transport will follow.

WORKING GROUP I: The Working Group considering oceans and atmosphere issues (to be chaired by Enrique Provencio of Mexico) is expected to meet during the morning in Conference Room 2.

WORKING GROUP II: The Working Group considering finance and production and consumption issues (to be chaired by Daudi Ngelautwa Mwakawago of Tanzania) is expected to meet during the afternoon in Conference Room 2.

DRAFT DECISIONS: A number of draft decisions to be considered by Working Group's II and III (to be chaired by Paul de Jongh (Netherlands); decision-making and national reporting) were distributed Monday afternoon.