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CSD HIGHLIGHTS TUESDAY, 11 APRIL 1995

OPENING PLENARY

Outgoing Chair **Klaus Töpfer** opened the third session of the CSD and highlighted some of the ongoing CSD-related sectoral initiatives. He called for more dialogue to ensure that all countries benefit from trade liberalization and that debt relief measures are developed to support sustainable development. He added that the financial resources needed to implement the Rio commitments are still far from adequate, calling on developed countries to honor ODA commitments. One of the crucial topics before the CSD is CO₂ taxation. He urged developed countries to take the lead with energy efficiency measures. The CSD must ensure that the goals of sustainable development are integrated into all sectoral areas and the UN must demonstrate its capacity to secure ecological and social stability through partnership and shared responsibility.

Henrique Cavalcanti (Brazil) was then elected Chair of the CSD. Cavalcanti proposed three operational aspects for the new intersessional period: assessment of Agenda 21 implementation and commencement of work on sectoral and sustainability indicators; enhancement of the engagement of the UN system in CSD activities; and establishment of a dialogue with the private sector to better define its role and commitment to sustainable development.

Under-Secretary-General for Policy Coordination and Sustainable Development **Nitin Desai** said that the success of the CSD depends on the political weight given to it by governments. Desai said that the CSD must build on the important work of Cairo and Copenhagen. On consumption, financial and technology transfer, and the integration of environmental considerations into economic decision-making, the ball is now in the CSD's court.

The Co-Chair of the High-Level Advisory Board on Sustainable Development, **Birgitta Dahl**, outlined the recommendations from the Board's third meeting on: sustainable food security; the links between trade and environment policies; value-based education for sustainability; and new partnerships. The Board acknowledged developing countries' concerns about new forms of conditionality and "green protectionism." It broadly endorsed the seven principles proposed by the International Institute for Sustainable Development. The Board also recommended the establishment by the WTO, UNEP and UNCTAD of a Panel of Environment, Development and Trade Experts to make recommendations on the link between trade and environmental protection. Dahl outlined seven key areas for action: conflict prevention; change in consumption patterns and production; the development of new

energy and transport structures and technologies; balanced and integrated management of the global commons; development of a win-win conceptual marriage of trade, development and environment; the mobilization and transfer of resources for sustainable social development to developing and East European countries; and the participation of women.

The Commission then elected the Bureau: Jordan Uzunov (Bulgaria); Takao Shibata (Japan); Magnús Jóhannesson (Iceland); and Henry Aryamanya-Mugisha (Uganda). Cavalcanti introduced Agenda Item 2 (adoption of agenda and other organizational matters), noting that working groups will be established on: (a) finance; poverty; consumption; trade, environment and sustainable development; and demographic dynamics; (b) technology transfer; science; decision making structures; and major groups; and (c) sectoral issues and biotechnology.

FINANCIAL RESOURCES AND MECHANISMS

Dr. Lin See-Yan presented the second report of the intersessional *ad hoc* working group on finance, E/CN.17/1995/11. He asked for delegates to comment on the following areas: new approaches in the context of Agenda 21 to revitalize ODA; the need to energize IFIs and development agencies' efforts in support of sustainable development; the promotion of equitable economic instruments; the promotion of innovative mechanisms to address environmental degradation; and the matrix approach.

PANEL DISCUSSION ON FINANCIAL RESOURCES

Prof. Grzegorz Kolodko, the Polish Minister of Finance, noted that Poland's focus has been on economic liberalization, institutional changes and microeconomic restructuring. Over 60% of GDP is from the private sector. This is the third year of economic growth, positive industrial output and improved environmental standards. Poland's environmental policy is supported by a national fund for environmental protection supported by pollution tariffs.

Andrew Steer of the World Bank addressed three areas: raising additional finance for sustainable development; changing all finance; and reducing financial needs. The CSD has not addressed financial problems nor the popular perceptions that ODA has failed. The World Bank has lent US\$10 billion in 60 countries to strengthen environmental policies, with government input of US\$25 billion. He called for more effective use of ODA as leverage funding and adjustment in the risk content of environmental investment. On lowering the cost of sustainable development he recommended: setting priorities; cost effective

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analyses; sharing best practices and technologies; and using economic instruments. To advance sustainable development beyond the micro implementation level, the World Bank is: using "global overlay" to discern how a country's various sectors would differ if global policies were taken into account; examining the leverage capacity of private sector resources; and recognizing the role of NGOs as primary agents of implementation.

Vito Tanzi, on behalf of the IMF, commented that environmental concerns should be promoted by: raising awareness on environmental problems; raising resources; and ensuring better allocation of resources. IMF activities to improve the microeconomic environment include improving tax systems and raising revenue. Some tax incentives promote the wrong goal. For example, in many countries diesel, which is a dirtier fuel than gasoline, is not taxed where gasoline is. The CSD should address these distortions. The administration of an international transportation tax is more complicated than it may appear.

Hilary Thompson of the National Westminster Bank said environmental and business sense are closely linked. However, sustainable development requires long-term thinking, planning and time scales, while the opposite holds true for financial markets. She spoke of the need to educate the investment community, which will demand a correction of the current skewed information base upon which the finance sector operates. There is also a need for a change in the tax system to penalize the bads and encourage the goods. The Advisory Committee on Business and Environment, established by the UK Government, has been looking at internalization of environmental costs and market education.

Maximo Kalaw, on behalf of Green Forum (the Philippines), said that instead of focusing on new and additional sources of funds, existing flows should be shifted so that they are more sustainable. Declining ODA flows encourage developing countries to look at national income-generating instruments. He called on the World Bank and the IMF to reorient their mandates towards sustainable development. He supported an institutional elevation of sustainable development such as the Commission on Global Governance's recommendation for an economic security council.

Nitin Desai summarized the panel discussion. (1) Policy reform: the need for macroeconomic stabilization as a necessary condition for sustainable development; the need to address the changes to the underlying logic of the fiscal system; the need for governments to address externalities as a possible central goal of fiscal policy; and the onus on both developed and developing countries to introduce policies. (2) Generation of new and additional resources: the need to create a supportive climate for ODA investment; and the need to improve the predictability and effectiveness of mobilized resources through better targeting and leveraging. Desai also referred to institutional innovation, a more proactive role for the CSD vis-à-vis the IFIs, and the matrix approach.

In the discussion that followed, **India** called for new approaches to ODA and supported Andrew Steer's suggestion about educating developed countries that their overseas investment is not wasted. He expressed surprise that the documents have not made any reference to the restructured GEF. **Colombia** expressed concern about ODA and said the question of external debt should be seen as a method to free resources for sustainable development. **Norway** noted that high ODA flows do not materialize without serious political work. Although private investment flows are at a high level, they are unequal in a regional sense.

Ecuador expressed concern about the failure of the panel to address the detrimental impact of financing on the environment, and the panel's failure to address the social and environmental dimensions of sustainability alongside the economic ones. **Martin Khor** (Third World Network) said the poor image of ODA results from the perceived negative environmental and social impacts of a large portion of development assistance. He said external aid is still the major problem facing developing countries and implementing

sustainable development. He called on the CSD to assess the social and economic risks involved in financial support for biotechnology.

The **Czech Republic** asked the CSD to address the issue of public awareness and education. **Sweden** called for careful reflection on how scarce ODA flows are being distributed. He asked how one can improve information about the need for long-term thinking about sustainable development and the problematic short-term character of financial markets. **Algeria** asked the World Bank and the IMF about the measures they have taken to provide financial assistance to national environmental funds and to innovative measures adopted by developing countries. **Pakistan** expressed concern that the focus remains on short-term solutions and asked if mechanisms and international institutions have been working on the evolution of a long-term macroeconomic environment to propel societies towards sustainability.

The Chair then gave the floor to the panelists to respond to the questions and comments. **Prof. Kolodko** noted that investing in the environment can also be a vehicle that contributes to enhancement of economic growth. He added that countries should rely more on their own resources than on ODA. **Vito Tanzi** said that twice a year Ministers meet to discuss the Fund's mandate. He added that one issue that has not been addressed is the "scandalous way" that many countries have wasted ODA. **Maximo Kalaw** said that the Philippines' three national environmental funds are effective because they are limited and specific in scope. Private philanthropy is increasing but needs a sustainable development framework.

Andrew Steer said that citizens of the rich countries should not be blamed for their negative perception of ODA. He said the World Bank believes in targeting non-subsidized funds for the environment. **Hilary Thompson** said that developed countries must start taking action at home and that both economic and other voluntary instruments will be necessary. In London, fund managers dealing with multinationals have said that the concept of sustainable development is too vague and could be ignored. **Nitin Desai** noted that the discussion proved that the CSD does have an impact on the direction of international finance.

IN THE CORRIDORS

Many delegates have welcomed the new panel discussion format. It is felt that the panel approach, with the participation of technical experts and NGOs, will stimulate a more informed debate on the substantive issues. Whether the new approach will facilitate negotiations on the draft decisions that are to be produced during this session remains to be seen.

THINGS TO LOOK FOR TODAY

PLENARY: This morning, the CSD will focus on Agenda Item 6, "Review of the sectoral issues." Sir Martin Holdgate will present the report of the *Ad Hoc* Working Group on Sectoral Issues and the Chairs of the Biological Diversity Convention and the Convention to Combat Desertification will present progress reports. This will be followed by a panel discussion on sectoral issues.

In the afternoon, the CSD will focus on Agenda Item 3, a general discussion on progress in the implementation of Agenda 21, focusing on cross-sectoral issues and the critical elements of sustainability. Topics include: trade, environment and sustainable development; consumption patterns; combating poverty; and demographic dynamics. An evening session has been scheduled to accommodate the anticipated number of speakers.

OECD BRIEFING: The OECD Director for Environment and other OECD staff will give a briefing on current OECD work related to this year's CSD Agenda at 1:15 in Room 9.

THIRD WORLD NETWORK FORUM ON BIOTECHNOLOGY: There will be a forum today on "Biotechnology: Panacea or Peril?" at 1:00 pm in Conference Room 1.