

the
Future
is
Now

VOL. 3
MAY
2002

Emerging Challenges
for the Indonesia PrepCom



iied

International
Institute for
Environment and
Development



the Future is Now



VOL. 3
MAY 2002

ACKNOWLEDGEMENTS

In 2001, the International Institute for Environment and Development (IIED) marked its 30th anniversary. Thirty years ago, IIED's founder, Barbara Ward and René Dubos published *Only One Earth* which helped to set the agenda at the Stockholm UN Conference on the Human Environment. For the Rio UN Conference on Environment and Development, IIED published a series of reports as a brief and accessible guide to the key issues.

In preparation for the UN World Summit on Sustainable Development (WSSD) in Johannesburg, in August 2002, IIED has produced a new series, *The Future is Now*, to explore lessons from the past and options for the future. This title is the third of four in the series. We hope it will give the reader a sense of the challenges that remain and must be tackled at Johannesburg. We have also produced a series of *WSSD Opinion Papers*, which can be found on the IIED web site at www.iied.org/wssd/pubs.

This report was compiled and edited by Tom Bigg, IIED's World Summit on Sustainable Development Co-ordinator. Authors of the various sections are credited separately.

We gratefully acknowledge the following donors for their contribution to this series: the Royal Danish Ministry of Foreign Affairs (Danida), Environment Canada and the Swedish International Development Co-operation Agency (Sida).

ABOUT IIED

The International Institute for Environment and Development (IIED) is an independent, non-profit research institute working in the field of sustainable development.

IIED aims to provide expertise and leadership in researching and achieving sustainable development at local, national, regional and global levels. In alliance with others we seek to help shape a future that ends global poverty and delivers and sustains efficient and equitable management of the world's natural resources. For more information about our WSSD programme of activities, please contact **Tom Bigg**, WSSD Co-ordinator (details on back cover page).

For additional copies of this volume, other volumes in this series, or the WSSD Opinion Papers, please contact Earthprint (details on back inside cover page).

CONTENTS



INTRODUCTION	2
SECTION A: INTERNATIONAL SUSTAINABLE DEVELOPMENT GOVERNANCE	
{1} THE TRADE & ENVIRONMENT AGENDA	5
{2} THE IMPACTS OF PERVERSE SUBSIDIES	14
{3} CORPORATE SOCIAL RESPONSIBILITY	27
{4} GLOBAL PUBLIC GOODS	40
{5} WHY WE DON'T NEED A NEW INTERNATIONAL ENVIRONMENTAL ORGANISATION	48
{6} PARTNERSHIPS AND WSSD	60
SECTION B: CHALLENGES FOR AFRICA	
{7} AFRICA'S NEW AGENDA	74
{8} DEVELOPMENT FIRST	85
{9} GOVERNANCE AND CORRUPTION	92
INTERDEPENDENCE IN A DISCONNECTED WORLD	99

INTRODUCTION



The building of a multilateral rules-based system is fundamentally correct. Powerful economies must stop applying unilateral measures and the developing countries must negotiate their specific needs within this framework. Rules are respected when they are above expediency, in perception and in practice. The developing countries should now give leadership to the development of a positive agenda that fully addresses their needs.

**STATEMENT BY NELSON
MANDELA TO THE WORLD
TRADE ORGANISATION, 1998**



It is only 30 years since the Stockholm Conference on the Human Environment. In that time remarkable progress has been made to bring environmental concerns into international and domestic politics. Those who are cynical about the prospects for the Johannesburg Summit would do well to consider the seismic shifts which have occurred in that period: acceptance (in theory at least) of sustainable development as an overarching goal for the UN and the World Trade Organisation; the negotiation and ratification of numerous international instruments and commitments; the creation of environmental ministries in many countries; and real progress in changing the use of harmful chemicals.

But there is much to provoke concern. Grinding poverty is still the daily experience of over 40 per cent of the world's population, and the gulf in wealth between the richest 10 per cent and the poorest 10 per cent has grown since the early 1970s from a ratio of about 30:1 to 74:1 – and it is widening more rapidly now than ever.



(UNDP, 1997) Environmental degradation has reached crisis point in many contexts, and the uncertain but very real threats from climatic change are already becoming actuality. (UNEP, 1999)

This booklet addresses two broad areas of critical importance for the final WSSD preparatory meeting in Bali – and for the future, beyond the Johannesburg Summit: first, the challenges of realising effective sustainable development governance; and secondly, some of the particular issues which confront African countries, and which WSSD should address.

A range of authors have addressed these issues, and presented some strong challenges to governments and others involved in the critical stages of preparation for the Summit. The questions posed include the following:

- ▶ *What should a fundamental review of the purpose and functioning of international sustainable governance lead to – or is WSSD merely another instance of moving deckchairs on the Titanic?*
- ▶ *What are the challenges of corporate social responsibility and accountability for transnational corporations operating in Southern countries – and what can host governments do to ensure compliance with their countries' national priorities?*
- ▶ *What are the challenges presented by the New Partnership for Africa's Development to the rest of the world – and how can Northern countries respond and develop a meaningful dialogue?*

▶ *How can the poorest people be enabled to plan and realise their own development – and can aid contribute to poverty reduction through the livelihood strategies and collective processes of the poor themselves?*

The European Commission has released a draft external strategy for sustainable development, which presents a strong rationale for recognising the global impacts and responsibilities of richer countries:

Humankind is increasingly aware that it shares a common and interlinked future and that conflict and injustice on the other side of the world can have direct repercussions close to home.

(European Commission, 2002)

It is time to translate the general rhetoric into clear commitments which can make a real difference to the prospects of the world's poor. WSSD presents a real opportunity to do this which all those involved should seize.

References

European Commission 'Towards a Global Partnership for Sustainable Development' Communication from the Commission to the European Parliament Brussels 2002.

United Nations Development Programme *Human Development Report 1997* Oxford University Press, New York 1997.

United Nations Environment Programme *Global Environmental Outlook 2000* Earthscan, London 1999.

SECTION {A}

INTERNATIONAL SUSTAINABLE DEVELOPMENT GOVERNANCE: Overcoming Barriers to Progress



One thing we have learnt over the years is that neither doom-and-gloom scenarios nor destructive criticism will inspire people and Governments to act. What is needed is a positive vision, a clear road map for getting from here to there, and a clear responsibility assigned to each of the many actors in the system.

Johannesburg must give us a vision of a global system in which every country has a place, and a share in the benefits. And it must give us all a clear sense of our share in the task. Governments have their responsibilities, but so do corporations, civil society groups, and private individuals. I hope at Johannesburg we shall see them all come together in a new coalition – a coalition for responsible prosperity.

UN SECRETARY GENERAL KOFI ANNAN
'FROM DOHA TO JOHANNESBURG
BY WAY OF MONTERREY: HOW TO
ACHIEVE, AND SUSTAIN, DEVELOPMENT
IN THE 21ST CENTURY'
LONDON, 25 FEBRUARY 2002





{1}

WSSD cannot reopen, modify nor reverse decisions taken at Doha. It is not the forum at which the elements of the future trading system can be designed. But Doha has created considerable new space for a constructive debate between the trade and sustainable development communities. WSSD should focus on how that space might best be occupied, and how the sustainable development community might use the new openings to influence the Doha agenda in favour of sustainable development, and how capacity to do that might best be built.



The World Summit on Sustainable Development in Johannesburg will provide an opportunity for the global community to assess progress towards sustainable development since the Rio Summit in 1992, and to agree on actions that will spur momentum towards that ultimate goal. Unlike other global conferences that address topics of more limited scope, WSSD could, in theory, address almost anything that touches on economic efficiency, social equity, or the wise use of natural resources and ecosystems.

This chapter will concentrate on prospects for WSSD to influence the multilateral trading system so that it is more supportive of sustainable development goals. It will look at what may and may not be expected from WSSD on the trade front, and will formulate some recommendations for those that will be attending the Summit.



Trade and Environment after Doha

The fourth Ministerial meeting of the World Trade Organisation took place in Doha, Qatar, in November 2001. Unlike the third Ministerial meeting in Seattle, which ended in failure, the Doha meeting reached agreement on a programme of work – the Doha Development Agenda – that will occupy the trade policy community over the coming years. It includes a range of items that will be negotiated, another set of issues that will be prepared for negotiation, and a further range of issues that will be the subject of particular attention.

This corresponds with the way the trading system has always worked. Issues that are admitted to be relevant are first studied; once they are mature, they move to a second phase – that of framing the negotiation agenda; once the agenda is clear, the issues are placed on the table for negotiation.

Doha represents an advance for the environment in the trade context. A number of environmental issues were admitted into the first class cabin – they have been accepted for negotiation; others moved up to business class – the framing stage; and many more were kept on board for further examination. It must also be said that there are some threats to the environment in the Doha agenda – some issues were left on standby, with a badly overbooked flight.

This progress was largely unexpected. Since the WTO – and its Committee on Trade and Environment (CTE) – were first set up in 1995, the trade and environment agenda had remained unchanged through three Ministerial meetings, and little visible progress had been made. A range of environmentally-related disputes in the WTO, and in particular the famous “shrimp-turtle” case, deepened developing country suspicion and their determination to resist the extension of the environmental agenda in the WTO.

A combination of deft manoeuvring from the European Union and the normal trade-offs needed to secure concessions in other areas, led to a breakthrough on the environment in the Doha agreement. Henceforth, the environment is considered not only a topic permanently relevant to trade, it is a topic for negotiation. In other words, environment is a topic on which countries that wish to see stronger environmental safeguards will have to be prepared to make trade-offs with countries not so convinced of the wisdom of placing environment at the centre of trade policy.

This breakthrough is undoubtedly more significant for its symbolic value than for the substance of the environmental concessions so far secured. Indeed, the negotiation agenda is extremely limited in scope, with built-in restrictions on how far the negotiators can expand the purview of the negotiations.



Even if the agenda is successfully completed, it is far from sufficient to ensure full coherence between trade and environment policies at the national and global levels. And it is very far from enough to ensure that trade liberalisation contributes optimally to sustainable development. That would require action over a much broader front, and would no doubt require re-examining a number of the premises and assumptions on which the entire trading system is based.

Still, some progress was made in realigning the WTO in support of sustainable development. Reference to the sustainable development in the preamble of the Doha declaration is stronger and more definitive than similar text in the Marrakech Agreements that ended the Uruguay Round. And for those who doubt the value of non-binding preambular language, past practice has showed that it is referred to in trade disputes and, in some cases – eg. Shrimp-Turtle – appears to influence the outcome considerably. More important, the CTE and the WTO Committee on Trade and Development (CTD) are given a watching brief over the entire Doha Development Agenda from an environment and development perspective respectively. Issues important to the environment are, of course, spread right across the negotiation agenda, so this brief is potentially of great significance, if it is well used. The CTE can take care

that environmental interests are advanced in the negotiations on agriculture, services, intellectual property rights, subsidies, and the many other issues that have either an environmental dimension, or an impact on the environment. How, or indeed whether, this review process can lead to recommendations to the negotiators is still far from clear.

So Doha turned a corner in trade and environment. The argument is no longer whether environment belongs in the WTO, but rather how it will be dealt with. The countries that resisted introducing environmental concerns must now turn their attention to how their own environmental interests might be advanced in the trade context, and what advantages they can secure in exchange for concessions to those who believe ardently in environmental progress. Nobody knows how the environment agenda will play out in the WTO, because the game is new and unfamiliar.

Can WSSD take the debate to the next stage? Can WSSD influence the negotiation agenda, and help tilt the balance further towards sustainable development interests? Can it succeed in advancing issues that remained stuck in Doha? Can it offer an alternative forum for international agreement on trade-related environmental issues? And what, practically, might WSSD do on trade?



What WSSD cannot do

UN mega-conferences have been following a law of diminishing returns over the past decades. The most recent, the summit on Financing for Development in Monterrey, was long on rhetoric but very short on commitment. This would suggest that the scope for concrete action on trade at Johannesburg is small.

In fact, this is not necessarily so, provided the objectives set are realistic, focus on what the WSSD community can do, and avoid the wishful thinking that has characterised much of the preparatory process. First, those interested in trade should abandon the idea that they might achieve at the WSSD what they failed to achieve in Doha or Monterrey. Doha was the forum for securing concessions on the trade agenda and what was achieved there represents a fine and hard-fought balance. Monterrey could not do anything to upset or even tilt that balance. Nor will WSSD. It will not be able, no matter how successful, to trump Doha. It will not be able to secure any significant concessions on trade that could not be secured at Doha. And it will not be able to reverse any of the decisions taken at Doha. Those who feel that it might be dreaming.

What WSSD can do

Doha created space – political and negotiating space – to study, frame an agenda for, and negotiate issues that arise at the trade and environment

interface. Further, it advanced the notion that sustainable development may be considered a goal to which the process of trade liberalisation should contribute and against which trade proposals might increasingly be judged.

For the moment, this space is only loosely occupied. Johannesburg should focus on how to occupy that space in a way that is likely to advance sustainable development goals and reinforce the synergy between the worlds of trade and environment policy.

WSSD should focus on structuring the sustainable development community's response to Doha, on enhancing its ability to take advantage of the openings created by the Doha agenda, and on how to expand that space in the course of the trade negotiations now underway. What does this mean in practice?

A positive trade agenda for WSSD

The Doha agenda offers considerable scope for positive interaction between the sustainable development community and the trade policy community, just as it represents a number of dangers. The following are a number of suggestions on ways in which WSSD might reinforce the former, while avoiding the latter.



1. Sustainable development as the goal of trade liberalisation

The Doha preamble states that: “we are convinced that the aims of upholding and safeguarding an open and non-discriminatory multilateral trading system, and acting for the protection of the environment and the promotion of sustainable development can and must be mutually supportive.” By implication, the WTO is saying not only that it recognises protection of the environment and the promotion of sustainable development as compatible and equally valid with the goals of trade policy, it further states that this compatibility must be ensured. WSSD should focus on how that obligation might be met in practice. Further, for the first time, the Doha preamble speaks of the need for co-operation with other bodies, including UNEP.

This will require the sustainable development community accepting that an open and non-discriminatory multilateral trading system is a desirable goal for sustainable development. At the same time, WSSD must insist that trade policy be supportive of sustainable development goals in fact and not just in theory. WSSD should urge the WTO to adopt sustainable development as the clear and unequivocal goal for the trading system. (IISD, 2001)

If such a goal is clearly established, it will be possible to insist on reviewing all present and proposed trade measures in light of their impact on sustainable

development. Indeed, until there is an agreement on what end trade is designed to serve, controversy over trade liberalisation is bound to continue.

2. Building capacity to occupy the spaces created by Doha

As noted above, Doha created new space for the environmental debate in the WTO. It has created a range of new opportunities for the sustainable development community to influence the trading system so that it is more favourable to sustainable development goals. That said, the sustainable development community is poorly prepared to take full advantage of the opportunities that exist. Capacity within the environmental community to advance sustainable development proposals in the trade policy world is still extremely thin, especially in the developing countries. Yet, with over ten references in the Doha declaration to the need for capacity building, and with the millions being provided to the WTO technical assistance trust fund and the strong attention being paid to the need to build capacity to negotiate, very little attention is being devoted to building the capacity needed to pursue environmental or sustainable development objectives through the trading system. One of the few exceptions is the IISD-ICTSD Trade Knowledge Network, now being expanded in collaboration with the IIED-led RING. WSSD should secure a



commitment greatly to expand capacity building programmes aimed at equipping the sustainable development community to advance its interests in the multilateral trading system.

3. Securing parity between WTO and the MEAs

Ever since the Uruguay Round was concluded, there has been a fear that WTO might challenge trade measures taken pursuant to multilateral environmental agreements. At the same time, trade sanctions are essential to ensuring compliance with obligations under these conventions. As the experience of WTO has shown, it is the threat of sanctions that gives the agreements teeth.

The issue of the link between WTO and the MEAs is now on the negotiating table, and is probably the most urgent of the issues around which capacity must be built. WSSD should help to establish a number of principles that should govern these negotiations. They include the following:

- ▶ MEAs are international undertakings signed by WTO member states and other governments, and are in no way subordinate to the international trade rules.
- ▶ Issues arising from the MEAs should be addressed by their own dispute settlement or governance mechanisms, and not by the WTO. The WTO should unequivocally state that its panels will not hear disputes arising

from MEAs, until and unless the recourse mechanisms available through the MEAs themselves have been exhausted.

- ▶ The negotiations in the WTO should consider a blanket exemption for legitimate trade measures taken under an MEA, perhaps subject to respect for certain criteria (eg. that they are the least trade-distorting of the measures available). These criteria should be developed in an independent forum involving the WTO and MEA secretariats, with appropriate representatives from government and civil society.
- ▶ The key intergovernmental organisations in the environment field, and the key MEAs, must have the right to attend negotiation sessions as observers.

At the same time, WSSD should accept that, in implementing trade measures, the MEAs should respect the WTO principles of transparency and non-discrimination. There is no necessary incompatibility between WTO's wish for a level playing field and the objectives of environmental policy. In this respect, the Doha agenda carries risks in that it excludes consideration of cases that pit parties and non-parties to a convention when both are WTO member states. Also undesirable would be any attempt by WTO to define what is a legitimate trade measure under an MEA.



4. Agriculture

After six years of pursuing a timid and limited agenda on agriculture, Doha has launched the WTO into agricultural negotiations in earnest. This presents both opportunities and dangers for the environment. The Declaration recognises the concept of ‘multifunctionality’, that is the notion that agriculture serves a variety of purposes beyond the production of agricultural commodities. And it appears to give scope for a series of environmental exceptions to the general rule of agricultural liberalisation.

WSSD should rally the environmental community around a strategy to maximise the use of the environmental instruments available in agriculture, while helping dismantle the barriers to developing country products.

5. Subsidies – scope for a genuine win-win formula

Since its establishment in 1995, the WTO has had an agreement (the Agreement on Subsidies and Countervailing Measures) that determines how to evaluate subsidies for their trade-distorting effect. Only those that meet these strict criteria can be challenged. The environmental community has always been frustrated at the limited scope of this agreement, believing that the elimination of perverse subsidies represents a genuine meeting ground for the trade and sustainable development communities. Many subsidies are,

indeed, bad for trade, bad for development, and bad for the environment.

The Doha agenda opens a modest space for identification and elimination of perverse subsidies, starting with fisheries. WSSD should not only organise the environmental community to come forward with ideas and recommendations in this area, but should argue for WTO to use the full scope of its agenda to create momentum behind a genuine move progressively to eliminate perverse subsidies.

6. Boosting co-operation on environmental standards

The Doha agenda calls for the CTE to frame an agenda on “labelling for environmental purposes”. While vaguely worded, this refers to the need to agree on the range of standards, norms and rules that underlie the market or the consumer’s ability to favour products that meet given environmental criteria. This has been controversial in the past, largely because of the fear that environmental standards would be used in a discriminatory manner. Now that environment is on the agenda, there is an urgent need not only to secure greater international co-operation on environmental standards, but to ensure that developing countries are not put at a disadvantage as the application of these standards becomes ever more important for trade. WSSD should agree on a strong upgrading of efforts to



develop and apply a mutually compatible set of environmental standards, to favour standards that are non-discriminatory and support sustainable development, and to build capacity for developing countries to participate in the standard-setting process.

7. Intellectual property rights and traditional knowledge

The WTO Agreement on Trade-Related Intellectual Property Rights (TRIPS) has proved on of the most unpopular of the WTO disciplines, and has contributed in considerable measure to the poor public image enjoyed by WTO in the sustainable development community. In a move that has enormous value as a precedent, Doha put the first crack in the TRIPS edifice, by forcing a relaxation of intellectual property protection for public health purposes. Indeed, the members agreed that a non-commercial objective was important enough to force this relaxation. The Doha agenda now calls for framing the agenda on other relevant provisions on TRIPS.

It is time for the sustainable development community to come together to agree on a clear, bold and specific agenda in respect of WTO and intellectual property rights, beginning with recognition of measures to protect indigenous, traditional and communally held knowledge.

8. Investment

While Doha did not agree to launch negotiations on investment immediately, there is a strong likelihood that they will be initiated following the next Ministerial meeting in the second half of 2003. Following the collapse of the OECD negotiations on a Multilateral Investment Agreement, the sustainable development community has somewhat gone to sleep on the issue of investment liberalisation. That is a dangerous slumber. Not only in the North American Free Trade Agreement, but in a rapidly expanding number of bilateral investment agreements, investors are securing rights with very few corresponding responsibilities, and in a way that is providing a strong disincentive against both social and environmental legislation in developed and developing countries alike. WSSD offers a chance to mobilise a coalition to monitor closely all proposals for investment liberalisation, to develop policy options, and to begin briefing developing country negotiators of the dangers of what is currently being proposed.

Conclusion

There is, of course, scope for considerable creativity in WSSD in respect of the trade and sustainable development interface, and the eight proposals outlined above should in no way limit the innovative spirit of the summit and its processes. Indeed, creativity and



innovation are more than ever needed in the trade policy world, which has not showed much openness to change even when the world has fundamentally changed around it.

This chapter makes a few simple points:

- ▶ The WSSD cannot reopen, modify nor reverse decisions taken at Doha. It is not the forum at which the elements of the future trading system can be designed. Any attempt to do so will be doomed to failure.
- ▶ Instead, WSSD should recognise that Doha has created considerable new space for a constructive debate between the trade and sustainable development communities.
- ▶ WSSD should focus on how that space might best be occupied, and how the sustainable development community might use the new openings to influence the Doha agenda in favour of sustainable development, and how capacity to do that might best be built.
- ▶ More than anything, WSSD should aim to identify specific, implementable ideas cast in terms that the trade policy community can accommodate.

WTO is not the hermetically sealed fortress that it used to be. There is scope for considerable evolution of the trading system towards sustainable development, but it requires an organised, capable and strategic sustainable community to spearhead that movement. WSSD could be the place where it all comes together.

Mark Halle is the International Institute for Sustainable Development's Director of Trade and Investment

Reference

IISD Viewpoint: 'What is it all for? Setting clear goals for the world trading system', August 2001, available online at www.iisd.org/trade.

THE IMPACTS OF PERVERSE SUBSIDIES



UNDERMINING SUSTAINABLE DEVELOPMENT

by Antonio Hill, Oxfam GB

{2}

“

We subsidize energy costs so that farmers can deplete aquifers to grow alfalfa to feed cows that make milk that we store in warehouses as surplus cheese that does not get to the hungry.

PAUL HAWKEN, 1997

”

In a progress report on the implementation of Agenda 21 since the 1992 Earth Summit, the UN Secretary-General attributes unsatisfactory progress towards sustainable development (and even backwards slippage) to four factors: lack of policy integration at national and international levels; entrenched production and consumption patterns; incoherent policies in areas of finance, trade, investment and technology; and a lack of financial resources. (United Nations, 2001)

The continued and widespread existence of perverse subsidies – particularly in OECD countries – can be seen as both symptom and cause of all of these factors. Indeed, if subsidies are ‘perverse’ because of their deleterious social, economic and environmental side effects, they undermine sustainable development by definition. Governments seeking to promote sustainable development could do worse than start with the progressive reduction of all perverse subsidies, which have been estimated to total on the order of US\$1 trillion annually – an amount equivalent to total global military spending, or up to 5 per cent of Gross World Product. (United Nations, 1994)



In 1997, the Brundtland Commission argued in its report that many subsidies create incentives for environmental degradation. Since then, the ways in which subsidies can undermine our domestic economies and natural resource bases have been widely and exhaustively documented, even if subsidies in OECD countries rose to an all time high in 2000. (See Myers and Kent, 1998 and de Moor and Calamai, 1997) Less well known are the effects that subsidies have across international borders, where they often severely affect the livelihoods of poor people in developing countries through unfair trade rules.

This brief paper focuses on the development impacts of OECD export subsidies and current forms of domestic support for agriculture – identified in the Chairman’s Paper from the second Preparatory Committee meeting – as examples of perverse subsidies that lie at the core of frustrated progress towards sustainable development. Such impacts, it is argued, support the case for the Johannesburg Summit to provide clear guidance to the Doha Round of WTO negotiations based on global needs for sustainable development. The paper also explores some minimum requirements that the Summit process must address if it is to make progress on complex issues such as export subsidies and harmful domestic support, and argues that these are important incremental steps towards the progressive

elimination of other perverse subsidies as well as the meaningful incorporation of international trade within the sustainable development paradigm.

This is not to argue that all subsidies are bad per se. Existing OECD agricultural subsidies are perverse and should be eliminated because they promote overproduction, environmentally damaging production systems, and the export of surpluses at prices below the costs of production. Some government intervention in OECD agriculture is needed to correct market failures, but this must promote less intensive production methods geared towards lower output levels, and be carefully targeted to achieve specific social, rural development and environmental objectives.

What are subsidies, and how do we know if they’re ‘perverse’?

Put simply, subsidies are measures that keep prices above market levels for producers or below market levels for consumers or that otherwise reduce costs for either producers or consumers. By definition, subsidies are policy measures designed to have market effects that are beneficial to the economy as a whole or for general public good. While subsidies can have positive effects and may be introduced with the best of intentions, they can equally have hidden or long-term social or environmental costs. Likewise, over time changing market conditions can mean that subsidies



impose higher opportunity costs than other policy measures, effectively eclipsing the originally intended beneficial effects. In all of these cases, subsidies become perverse when their long-term social costs outweigh any benefit. In which case, on-going support for ‘perverse subsidies’ is considered a policy failure.

Subsidies come in all shapes and sizes (direct/indirect, implicit/explicit, and broad/narrow) and can be implemented through a range of policy instruments (direct support, tax incentives, food credits, targeted provision of infrastructure, and so on). In general, perverse subsidies result either because they have not been phased-out according to changing circumstances or because they are implemented without accurate account of their hidden effects, or externalities. Needless to say, the debate concerning what subsidies and their impacts are and what to do about them has raged on for years and is far too complex to rehearse here.

Among the common characteristics that all subsidies share are their inherently contentious political nature and, relatedly, the tendency for subsidies to be much easier to put in place than to phase out. Indeed, this is central to the problem presented in this paper. Even if the case for eliminating a particular environmentally or socially harmful subsidy is clear-cut, the decision to phase out can be contested by those who benefit from the subsidy. The larger the

subsidy, the more beneficiaries have to hire lobbyists, and the more difficult the task of readjusting economies to meet real social and environmental needs and reflect true economic costs.

Further complicating the task is the reality of globalisation, which serves to extend economic impacts – and related stakeholder interests – far beyond national borders. Considering the global economy as a whole, OECD countries are estimated to account for two thirds of all subsidies and an even higher share of perverse subsidies – the U.S. alone accounts for more than 20 per cent of perverse subsidies overall. (Myers and Kent, 1998) Just as economies spill over borders, so do distributional impacts they carry with them.

As the principal international institution for mediating trade and investment interests on a multi-lateral basis, the WTO has assumed competence in the area of ‘trade-distorting’ subsidies. Accordingly, the question of what is and is not a subsidy has been the subject of intense debate in the WTO. When it comes to phasing out and eliminating particular subsidies, the question of what constitute subsidies is no doubt important. But in the face of slow or stagnating progress – rich countries have actually increased levels of subsidisation since pledging to reduce them during GATT negotiations – the details become less important than generating the will and meaningful



commitments to tackle them. Hence the special focus of this paper.

This paper contends that the WTO has failed to adequately address the issue of subsidies, and that millions of poor and disenfranchised people are suffering as a result. It raises the question of how, if at all, the WTO ever can address the issue satisfactorily so long as its consideration does not extend beyond what is 'trade-distorting' also to account for what is development-distorting. Irrespective of how international institutional arrangements are structured (i.e. within the WTO or outside), the principles of sustainable development demand that other considerations – especially environment and poverty – are given due priority and, accordingly, that all cooperative international endeavours (including trade liberalisation) contribute to the realisation of sustainable development.

What are the impacts?¹

As the foregoing suggests, the topic of subsidies is extremely complex. Whether it's the definition of the term itself, the estimation of subsidy costs and their externalities or proposals for reform, the subject is riddled with contention at every turn. To simplify matters, this paper focuses specifically on the international impacts of subsidies in a single sector (agriculture) in OECD countries.

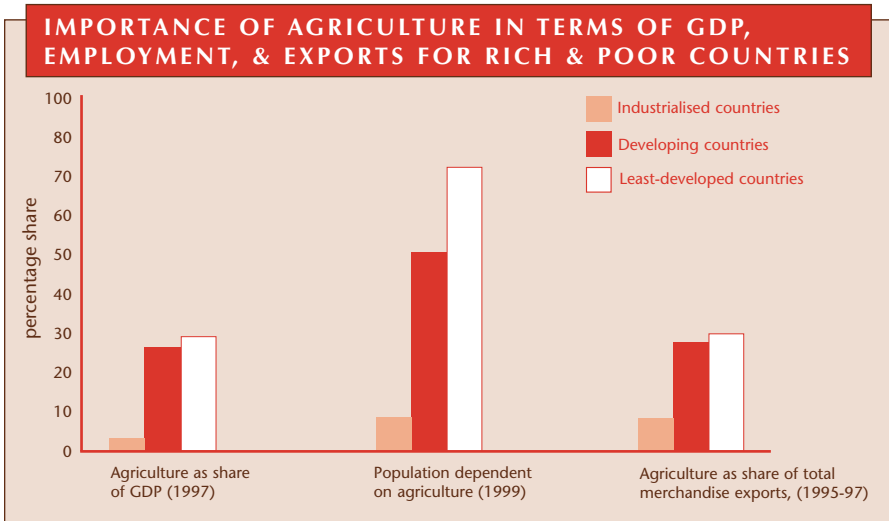
This choice is deliberate. Agriculture is critical to poor people and the natural resource base in poor countries and yet remains the most highly distorted sector in international trade. While agriculture has long been a sector subject to special consideration by governments due to its multi-faceted (or 'multi-functional') role in rural society and national life, it also is ripe for change. As following sections will show, the case for change is justified overwhelmingly by the fundamental inequalities and double-standards existing agricultural subsidies perpetuate in the international trading system, and the severe impacts they have on poor people in developing countries across the world.

Roughly 70 per cent of the people surviving on less than \$1 a day live in rural areas and depend wholly or in significant part on small-scale agriculture. Since men are moving to off-farm employment at a faster rate, women make up an increasingly large proportion of the agricultural labour force in developing countries. Many poor, small-scale farmers produce for national and regional markets, and their livelihoods depend critically on the functioning of these markets, effective national policies and infrastructure, and the fair distribution of productive assets such as land and credit. A significant number of these farmers produce for export, which can provide a lucrative source of income to

¹Unless otherwise credited, all figures and data therein are drawn from Watkins and Fowler (2002).



Figure 1



Source: OECD, FAO

generate employment and pay for productive inputs, health care and education. Both of these groups are affected by OECD subsidies to agriculture.

Despite growth in other exports, agriculture still accounts for more than one third of export earnings in about half of all developing countries. But while many developing countries have a comparative advantage in agriculture due to low labour costs, long growing seasons and/or favourable climates, they have not been able to gain from this in international trade. From 1980-1997, the developing world's share of world agriculture markets rose by only one percent, reaching 43 per cent in 1999. OECD countries dominate the balance, despite the fact that agriculture (including

processed agricultural products) makes up less than seven percent of their total export value. No sector of world trade is more distorted in terms of market share in relation to agriculture as a source of economic wealth, employment and exports. (see Figure 1, above)

These distortions are related in part to restrictions on developing country market access to OECD markets for agricultural goods as well as other domestic factors, such as infrastructural constraints that limit supply. But in large part, they also reflect the influence that subsidies have on the structure of competition in international markets, where subsidised OECD farmers can afford to sell below the true cost of production. To appreciate how significant these subsidies

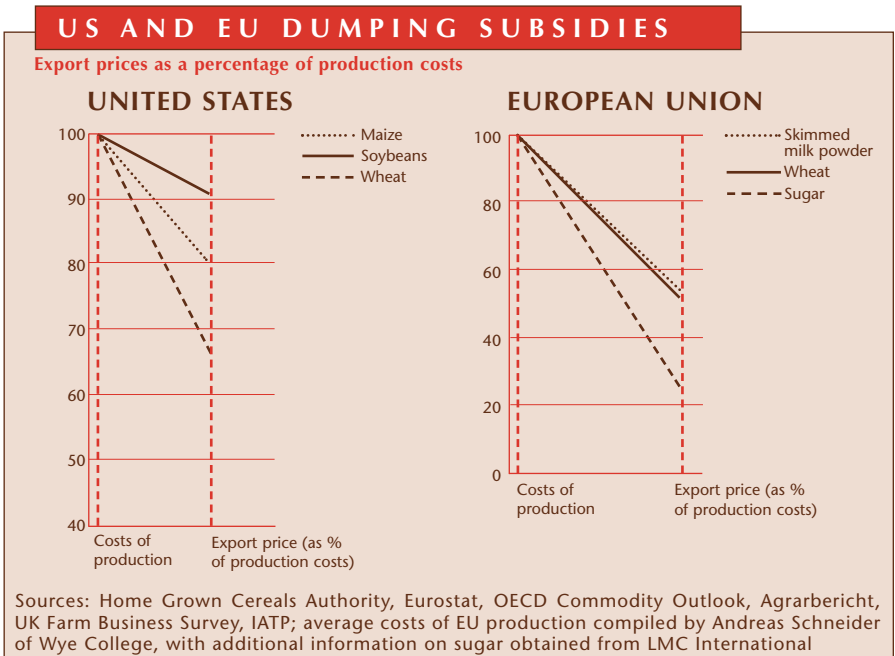


really are, it's worth highlighting the scale of subsidisation. In 2000, rich countries subsidised their farmers with the equivalent of US\$245 billion. Put in perspective:

- ▶ Total OECD agricultural subsidies represent approximately five times the value of annual ODA flows and exceed the total income of the 1.2 billion people living in extreme poverty;
- ▶ The US programme of 'emergency' farm payments exceeds the UN's entire humanitarian aid budget.

The most pernicious aspect of agricultural subsidisation in OECD countries for developing country producers is the practice of export dumping. Goods are 'dumped' onto world markets when they are sold at prices below the cost of production. To cut through semantic WTO debates about how to define a 'trade-distorting' subsidy and help assess the real impact that subsidies have on developing country producers, Oxfam has developed an Export Dumping Estimate that measures the gap between export prices and costs of production. The gap is large indeed for many major commodities traded internationally. (Figure 2)

Figure 2





Among the principal findings of the exercise:

- ▶ The US and EU together supply about half of all wheat exports, and their export prices are 46 per cent and 34 per cent below costs of production, respectively.
- ▶ The EU is the world's largest exporter of skimmed-milk powder, which it exports at prices around half the cost of production.
- ▶ The EU is the largest sugar exporter and sells at a quarter of production costs.

Aside from reducing market share (and precious foreign exchange earnings), dumping also reduces domestic prices in developing countries when it occurs in the context of rapid liberalisation. The net result of these distortions is unfair competition with developing country farmers, who suffer from low prices and lost market shares in national and local markets. Through dumping, subsidies pit developing country farmers not only against farmers in OECD countries, but also against the considerable financial power of the world's richest governments (see Figure 3, pg. 21). Millions of small-scale farmers that earn only \$400 in annual income are effectively competing with US and European farmers who receive an average of \$21,000 and \$16,000 a year respectively in subsidies alone.

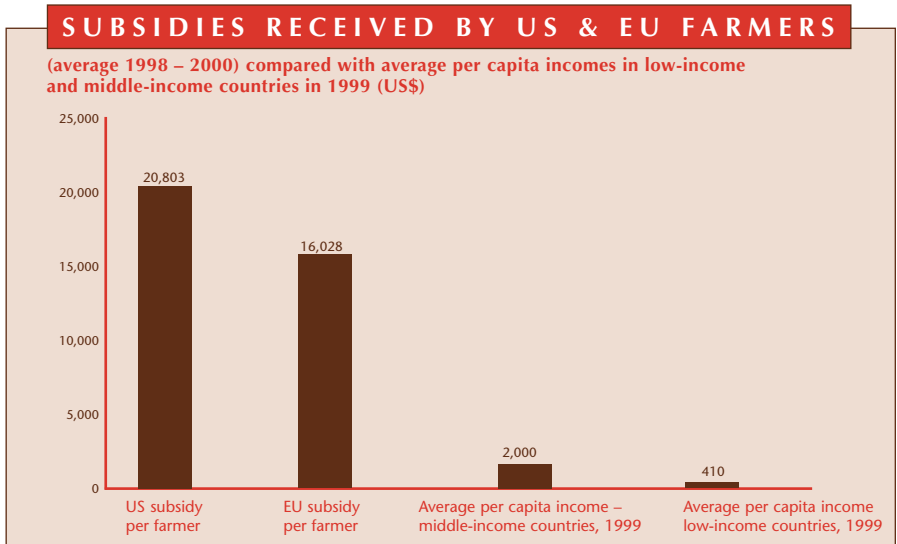
The overall impacts of lost market shares and low prices in developing countries are massive. Latin America is the worst affected region, with an estimated US\$4 billion in losses annually. But the impacts are far more serious than economic losses, and affect the day-to-day well being of the poorest households especially hard. The following three cases consider the contexts in which the impacts of agricultural subsidies play out in the lives of people in the Philippines, Mexico and Jamaica.

The Philippines reduced import prices for corn by one third under a liberalisation programme in 1997. At the time, Filipino farmers in one of the main corn-producing regions of Mindanao had average annual income levels around US\$365. Corn is a major cash-crop on the island and also is a major source of food. Oxfam research found that the poorest households derived more than three-quarters of their income from corn sales, meaning that price drops had direct and serious impacts on food and income security, health care and education. More than 50 per cent of farmers lived below the poverty line and one-third of children below the age of five suffered malnutrition.

In 1998, Oxfam and WWF International carried out a research programme to investigate the social and environmental impacts of corn market liberalisation in Mexico – a measure that



Figure 3



Sources: OECD and World Bank

many argued was pro-poor inasmuch as it would result in reduced consumer prices for this key staple food. The research found that the more significant impact of reduced prices was that they undercut the livelihood strategies of Mexican corn farmers. Poor households responded (1) by bringing more marginal lands under cultivation (to offset falling prices through increased production) and (2) by seeking off-farm employment (male migration). The overall effect was an increase in ecologically fragile lands under cultivation and an increased burden on women, left to manage households with fewer resources.

Finally, in Jamaica, annual imports of EU milk powder more than doubled

between 1990 and 1998, while EU exporters received more than \$3.5 million per year in export subsidies. Although a negligible fraction of EU exports, this change devastated the Jamaican dairy market, largely supplied by women entrepreneurs.

While there is no question that liberalisation programmes must be better managed by governments to avoid disproportionate impacts on the livelihoods of poor men and women, it is clear from this research that world prices were in effect set by the low cost of production and export to US and EU producers. The US accounts for more than 50 per cent of all corn exports, and exports at prices one-fifth below the



costs of production. Corn is the tenth most subsidised commodity in the U.S., accounting for 27 per cent of agricultural subsidies and only 10 per cent of the total value of agricultural production. (Babcock, 2001) In the five years to 2001 the U.S. exported 20 per cent of its corn production on average. Consistent with the distribution of farm programme benefits in the U.S. more generally, most subsidies for corn production and export are paid to the largest commercial farms in Iowa and Illinois. US Department of Agriculture figures reveal that large commercial farms typically have net incomes higher than average US households. In the EU, the value of EU export subsidies on milk powder amounted to more than half the value of milk powder sold on the world market. 17 per cent of EU farm enterprises receive 50 per cent of agricultural support.

Related to the poverty and livelihood impacts that agricultural subsidies have internationally are their environmental impacts. One of the single most serious impacts stems from the application of inorganic nitrogen fertilisers. Agriculture is now the leading source of anthropogenic nitrogen entering the environment, and human systems now fix nitrogen (creating reactive nitrogen from non-reactive N₂ in the atmosphere) at least as fast as natural terrestrial processes (soil bacteria, blue-green algae, lightning, etc.). It is becoming increasingly clear that this 'over-ferti-

sation' is acidifying and changing the chemistry of soils – reducing their fertility – displacing grassland species, suffocating aquatic plants and fish, and touching off toxic algal blooms. The World Resources Institute (WRI, 2001) notes that these changes are important contributors to the collapse of entire ecosystems in many parts of the world, and that the closest analogy to the scale and intensity of the challenge this type of pollution presents is perhaps the development of the international energy system in the context of climate change.

The robust correlation between chemical fertiliser application and producer price incentives is well documented in the domestic context. During the mid-1980s, countries with relatively low producer subsidy equivalents such as Australia, Argentina and Thailand used less than one-twentieth as much fertiliser per hectare as Switzerland (with one of the highest producer subsidy levels). (Anderson, 1992) As developing countries liberalise imports, they must also pursue some strategy for export growth to balance the trade and, given its importance, agriculture generally features prominently in stimulus packages. The trouble is, stimulus for export growth is generally targeted towards large-scale industrial operations rather than towards small-scale production, and is frequently targeted precisely towards environmentally-harmful inputs for agricultural intensification.



It's fair to propose that if subsidy elimination in OECD countries results in less pressure on poor countries to generate foreign exchange (through increased market share in agriculture), and higher prices to small producers in poor countries, then it would also serve to help support more extensive and sustainable agriculture. This thesis is borne out by economic analysis:

Notwithstanding the fact that yields per hectare are somewhat higher in protected agricultural sectors, [...] empirical data suggest that an international relocation of cropping production from high-priced to low-priced countries would reduce substantially, and quickly, the use of chemicals in world food production.
(Anderson, 1992)

To sum-up, the subsidisation of agriculture in OECD countries results, through export dumping and structural changes in international trade, in the following impacts:

- ▶ Reduced livelihood opportunities for rural poor though lower incomes and price instability;
- ▶ Soil and water degradation through intensified application of inputs;
- ▶ Degradation of marginal or forest lands through extension of agriculture;
- ▶ Reduced wild and agro-biodiversity;
- ▶ Reduced food security through all of the above;

- ▶ Reduced opportunities for local industrialisation and enterprise development, through reduced costs faced by industrialised country processed food product exporters;
- ▶ Reduced market share and export earnings for developing country governments, which could be used to purchase essential imports and to invest in the provision of public services.

What can WSSD do?

As the foregoing shows, subsidies in OECD agriculture severely restrict the prospects for sustainable development in poor countries. As part of a larger programme of agricultural trade reform, the phase out and elimination of such perverse subsidies is a core requirement for ensuring that the poorest in developing countries benefit from their comparative advantage and international trade.

The UN Commission on Sustainable Development has highlighted the need to eliminate harmful subsidies year on year since the Rio Earth Summit. Documented precedents for dramatic reduction of subsidies with positive results exist in the cases of New Zealand, Russia, Brazil and Indonesia, among others. Towards the final stages of the GATT Uruguay Round negotiations, OECD countries pledged to cut agricultural subsidies (and then subsequently increased them). In the Doha Ministerial Declaration governments again pledged '...reductions of, with a view to phasing



out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support.’ The initial draft and subsequent compilations of the Chairman’s Paper in the WSSD preparatory process have echoed the Doha language. So what obstacles stand in the way of such reform, and what can the WSSD do to address them?

Needless to say, the issue of subsidies and agricultural support is a fiercely political one that no measure of international diplomacy will resolve on its own. Given the regressive transfers of wealth to high-income farmers that current forms of subsidies represent, there is no good reason for not pursuing their elimination domestically in any event, while offering solutions to achieve any welfare-enhancing objectives they might have. Given the resulting windfalls in government financing that can result from subsidy elimination, it also is an ideal step that governments can adopt to shift their economies towards sustainable production and consumption patterns.

But given the international dimensions of agricultural subsidies, the WSSD cannot be justified unless it provides an agreed framework within which they – and other types of perverse subsidies and trade issues – can be addressed. Progress on subsidies in the lead-up to Bali and the Johannesburg Summit will, at a minimum require the following three things:

1. Assert that international governance for sustainable development includes governance of international trade

Within the Johannesburg preparatory process and since Rio more generally, the issue of trade has been shrouded with doubt and hesitation, and treated with kid gloves. The Working Group paper on Sustainable Development Governance presented in the second week of PrepCom III goes no further in equipping the WTO or the international community with a framework for addressing complex challenges to sustainable development posed by perverse agricultural subsidies. While respecting the institutional history and process that the WTO represents, world leaders must assert that international governance for sustainable development includes the governance of the international trading system and, relatedly, that sustainable development – not growth – is the goal of trade liberalisation. Further, agreement on a comprehensive framework for governance functions critical to the achievement of sustainable development (including but not limited to development and monitoring of indicators, rationalised financing, and improved coherency in implementation) is also a key stepping-stone to an international system based on democratic principles. This is not pre-judging the outcome of negotiations but rather a requirement for strengthening sustainable



development governance at the international level and meeting the obvious needs that emerge from economic globalisation.

2. Clarify and highlight domestic and international financing benefits

In a shift that epitomises the current deadlock in achieving meaningful multilateral commitments for sustainable development, the Monterrey consensus completely ignored the fact that subsidy elimination can be an important source of financing – one that even rewards with multiple dividends. In its 1994 report on financing for sustainable development, the Commission on Sustainable Development acknowledged the US\$1 trillion estimate for the value of global subsidies and noted that reductions would liberate financial resources in both developed and developing countries to pay for sustainable development needs and transfers. (United Nations, 1994) But the Final Outcome of the Monterrey Conference only ‘acknowledges’ that trade-distorting subsidies and measures – particularly in agriculture – are of particular concern to developing countries ‘...to enhance their capacity to finance their development...’. (United Nations, 2002 Paragraph 28, emphasis added) So much for the notion that subsidies might be the single largest source of financing for sustainable development.

Apart from the value of the direct cost of subsidies that is recovered when they are eliminated and the benefits that result (enhanced competitiveness, reduced externalities, etc.), subsidy elimination also promises to reduce overall government expenditures, thus providing the additional potential of reduced taxes. These ‘multiple-dividends’ need to be recognised, highlighted and promoted through the Johannesburg process to ensure that the potential is not discarded yet again.

3. Shoot for concrete, incremental steps within the Johannesburg process

There are some concrete, incremental steps within existing processes that can be used as stepping-stones to achieve coherence. For example, the idea of encouraging the WTO Committees on Trade and Development and Trade and Environment to jointly undertake mandated reviews of their respective competencies rather than in parallel could help rationalise evaluation of WTO policies and agreements under over-arching principles of sustainable development in a more integrated manner. Suggestions such as these through the political declaration at Johannesburg would help strengthen the case for considering the impacts of trade policy in other domains relevant to sustainable development and are entirely consistent with the Johannesburg Summit mandate and the existing Doha process.



As mentioned above, there are good reasons to eliminate perverse agricultural subsidies unilaterally, for economic competitiveness and sustainable development. If there are countries that are prepared to go further than the entire international community in committing to such a process, they could gain several advantages from doing so in concert with other stakeholders through a Type II partnership proposed as the second major outcome of the Johannesburg process.

There is no question that the issue of protection in agriculture is an extremely complex and thorny issue. This paper in no way argues otherwise. But it does contend that the arguments for reforming subsidisation in this sector based on international equity and environmental considerations are overwhelming, and that specific opportunities for progress through the Johannesburg process can and should be pursued. It has also shown that wider issues of international trade and investment are centrally relevant to the prospects for any sustainable development for the poorest. Recalling that the Johannesburg Summit aims to focus on poverty eradication, Summit leaders would do well actively to ensure that trade remains central to sustainable development.

Antonio Hill is a Policy Advisor (Environment and Sustainable Livelihoods) at Oxfam GB.

References

- Anderson, K.** 1992. 'Effects on Environment and Welfare of Liberalising World Trade: The Cases of Coal and Food,' Chapter 8 in K. Anderson and R. Blackhurst (eds.), *The Greening of World Trade Issues*, London: Harvester-Wheatsheaf.
- Babcock, B.** 2001. 'The Concentration of U.S. Agricultural Subsidies,' *Iowa Ag Review*, Fall 2001, Vol. 7, No. 4, Center for Agricultural and Rural Development.
- de Moor, A. and P. Calamai** 1997. 'Subsidizing Unsustainable Development: Undermining the Earth with Public Funds,' commissioned by The Earth Council.
- Fanjul, G.** 2001. 'Northern Agricultural Policies: The Long and Winding Road to Coherence,' background research paper. Madrid: Intermón Oxfam.
- Hawken, P.** 1997. 'Natural Capitalism,' *Mother Jones*, March/April 1997, 40-54.
- Myers, N. and J. Kent** 1998. 'Perverse Subsidies: Tax Undercutting Our Economies and Environments Alike,' Winnipeg: International Institute for Sustainable Development.
- Nadal, A.** 2000. 'The Environmental and Social Impacts of Economic Liberalization on Corn Production in Mexico,' study commissioned by Oxfam GB and WWF International, Geneva: WWF/Oxfam.
- United Nations** 1994. 'Financial Resources and Mechanisms for Sustainable Development: Overview of Current Issues and Developments – Report of the Secretary-General,' 28 February 1994, E/CN.17/ISWG.II/1994/2.
- United Nations** 2001. 'Implementing Agenda 21 – Report of the Secretary-General,' ECOSOC/CSD, 19 December 2001, E/CN.17/2002/PC.2/7.
- United Nations** 2002. 'Final Outcome of the International Conference on Financing for Development,' 1 March 2002, A/CONF/198/.
- Watkins, K. and P. Fowler,** 2002. 'Rigged Rules and Double Standards: Trade, Globalisation and the Fight Against Poverty,' Oxfam International Research Report (online: www.maketrade-fair.org).
- World Resources Institute** 2001. *World Resources, 2000-1*, Washington, DC: WRI.



IN THE ERA OF ECONOMIC GLOBALISATION

by Faisal Haq Shaheen, SDPI Pakistan

{3}

“

What is the role of corporate social responsibility given the realities of economic globalisation and the challenges of sustainable development? The ability of a corporation to act in a socially responsible manner not only has implications for stakeholders within the firm but also for those stakeholders and elements external to the firm within the surrounding social and economic environments.

”

In this era of far reaching economic globalisation, the level of Corporate Social Responsibility (CSR) exhibited by a firm must not only be measured by its impact on societal well being through the households, but also on a nation's economic well being through the diversity, health and richness of the domestic economy as whole. The latter measure will have longer term implications for policy makers and goal setting for sustainable development. As we will be addressing the implications from a developing economy perspective, let us use the existing firm models (Porter's five forces and McKinsey's 7 S's) to break down CSR, rather than risk preoccupation with definitions.



Porter's Five Forces Model

(Firm – Competitor – Barriers to Entry/Market – Supplier – Customer) defines the business environment within which the firm operates. The extension of this at the meso level is that surrounding the five components are the physical, social and economic environments which impact on and are impacted by the firm.

The McKinsey 7 S's Model

(Staff, Structure, Systems, Skill, Styles, Super ordinate Goals and Strategy) outlines the components of a firm. At the micro level, the 7 S's each have their own interactions with the social, economic, physical and environmental context within which the firm operates.

As this chapter focuses on corporate social responsibility, we will only briefly discuss linkages with corporate *environmental* responsibility with respect to environmental negligence and community impacts. We will be drawing more on the linkages between social responsibility and economic implications, and discussing their impact on the developing economy environment.

At the macro level, from the perspective of social globalisation, neo liberals argue that increased corporate social responsibility can have a positive impact on the social well-being of developing nations. However, in an era of one sided economic globalisation, regardless of what well-intentioned efforts are invested into or reflected by

corporate social responsibility and adherence to the UN's 'Global Compact', increased concentrations of foreign trans national corporate (TNC) activity will result in an overall departure of revenues and profits from already marginalised developing economies. From a policy perspective, it is also easier to bring local firms in line with national goals and development objectives than foreign firms, whose accountability and goals are derived from foreign investor demands for higher growth. Developing country and international policy makers must realise that there is no substitute for fostering and cultivating a healthy domestic sector of local firms that are capable of adhering to the tenets of sustainable development and sovereign development goals. While foreign direct investment from TNCs may provide a short term rise in fund generation, the long term will witness a net deficit of revenue that would have otherwise been circulated within the developing economy.

The Meso Level

Let us begin with a discussion of corporate social responsibility at the meso or firm level, with the assistance of Porter's 5 Forces, considering the firm, competitors, customers, suppliers and the market with its barriers to entry.

A. The activity of the firm has a direct impact on the social and economic environment of the



developing economy. If the firm is engaged in non renewable energy generation through non-sustainable methods, for example, the impact on the social well being of the populace (often the marginalised) will be negative, regardless of the degree to which CSR is practiced within the firm. A growing concern in South Asia has been that the import of scrap computers and IT hardware, along with (some reports indicate) contaminated scrap from the World Trade Center rubble, will have a negative effect on the health of the environment and the people surrounding those industries, regardless of the revenue generated.

On the other hand, if the firm were engaged in new IT ventures or diversification of the textiles sector which involve utilisation of existing educated, skilled and unskilled elements of the labour pool, this would have a positive impact on meeting sustainable economic and social development goals. Furthermore, the goods and services rendered by the firm should be in line with what is culturally acceptable within a developing country. CSR, for this reason, must incorporate the cultural and religious norms of a nation within economic, social and environmental sustainability. How well does the firm interact on issues of friction or disagreement? Is the firm open to alternative dispute

resolution given the fragile legal environments that exist within developing countries (especially given increased trade liberalisation) or are firms more adversarial and likely to use economic clout to influence the legal system? Such a case in intense situations is a measure of a firm's commitment to social responsibility.

- B.** A firm's activities will also have a significant impact on the **activities of competitors** both foreign and, more importantly, domestic. If a firm engages in socially irresponsible practices, resulting in cost cutting for example or a pricing war that could be deemed inappropriate to the domestic corporate culture, it could lead to the development of monopolies, negatively impacting the diversity of the market place and drawing criticism from the domestic entrepreneur base. Furthermore, acquisitions of smaller domestic firms by foreign based TNCs may crowd out domestic investment resulting in weak economic and sectoral diversity. This is especially dangerous when sustainable livelihoods (small and medium enterprises and small farmers) that are vulnerable to such shocks are unprotected.
- C.** New and existing **customers** are impacted greatly by the firm's activities. For example, if a foreign



bank were to enter a market segment by acquiring a state bank, and shift its overall focus from small customers to corporate accounts (or even external accounts), it would close channels that connect rural customers to urban centres and thus contribute to increasing urbanisation. The energy sector in South Asia has been plagued by such foreign activity where privatisation has resulted in massive layoffs and non renewable energy production to feed corporate and industrial interests. A shift towards wholesale pricing has put upward pressure on consumer pricing by reducing access to electricity and decreasing its affordability to consumers. The shift has thus favoured large corporate entities at the expense of the consumer, and the small and medium enterprises (SMEs). Again, this places increased wealth in the hands of the rich rather than the marginalised.

D. Impact on suppliers is another area where firms are capable of affecting an economy either positively or negatively. If a local firm compels suppliers to follow a 'best available practices' approach to social responsibility, the impact on communities and workers can be positive. By the same token, if suppliers are forced to become overly dependent on one account, the diversity of a sector can

be limited greatly; and be quite exposed to external shocks. If a firm engages in activity where it unfairly monopolises the margins of a product or service, it may be denying, inadvertently, profits destined for firms upstream or downstream of the production cycle, denying suppliers revenues and profits that might be used as part of the sector or sub sector's growth. A good example of this in South Asia is the growing presence of corporate farming. Patent grabbing foreign TNCs are now spreading the sale and use of a Monsanto like 'terminator seed' biotechnology. In a departure from a shared, common, indigenous knowledge pool, the terminator seed requires the farmer to purchase additional seed from the TNC at the start of each growing season rather than simply re use the seed that was shed from last year's harvest. So, regardless of the cultural sensitisation of Monsanto's hiring practices, the firm's activity shows little responsibility towards the health and livelihood of sustainable communities.

E. Impacts on the Market and Barriers to Entry are the final impact that TNCs may have on an economy. If the firm can improve internal processes through technology and skill transfer of assets, the net wealth of a developing sector or



other sectors can be increased. However, if the same firm holds onto technology and competitive advantages that result in the consolidation of the sector into one or two firms, the social impacts of job loss and a lack of consumer choice are great. Hence the greatest responsibility of policymakers will be to ensure that some element of technology and skill transfer is signed off on before TNCs set up within developing economies.

By no means exhaustive, the meso level discussion of CSR merely profiles a few issues that developing country policy makers need to associate with CSR. Are the goals of the company congruent with national development priorities, or do they hide a corporate presence that will result in a net loss of profit and productivity from the domestic marketplace as flows are transferred overseas? The policymaking level complicates the issue of CSR as in the case of energy production in Bihar, India and with energy tariff levels surrounding the Hub Co scandal in Pakistan. In Bihar, local energy utilities were privatised and bought out by larger foreign utilities with the promise of making power cheaper for all. What resulted was increased pricing for consumers, and all development was driven towards the corporate and industrial sector not only making power less affordable to

small and medium-sized enterprises and households but also polluting vast expanses of land and natural resources. In the case of Hub Co., a foreign consortium managed to negotiate extremely high tariff rates for power with the district power authority and elected politicians, while fully aware of the implications these would have for users. While allegations continue to fly regarding the destination of lucrative kickbacks, little discourse exists as to the knowledge of the foreign consortium that they were negotiating pricing that was well in excess of what could be afforded by local consumers. A responsible understanding of the market, particularly with attention to vulnerable groups, needs to be included in the CSR of firms.

At the macro level, a sufficient level of CSR must be represented by indicators that point to a firm's contributions to sectoral depth, diversity, health and value additions. While many LDCs are still heavily reliant on a few exports and are in need of diversification of their sectoral portfolios in order to establish sustainable development objectives, FDI has not led to increased diversification of economic sectors. For example, the majority of TNC expansion that is taking place in South Asia has been in the food and restaurant sector – a sector that has



already been saturated by local firms. On the positive side, FDI in the Indian IT sector, particularly in Bangalore and Hyderabad, has resulted in growth and utilisation of an otherwise idle labour class. What remains to be seen is whether domestic investment will crowd in, resulting in a strong and diverse sector, or whether a foreign monopoly will prevail, resulting in profits transferred to overseas investors.

Such macro level impacts need to be monitored at the sectoral and community level by development and social economists in the policy-making as well as NGO circles.

The Micro Level

The second half of our discussion of CSR takes place within the social and cultural environment of the firm. It is here that traditional discussions regarding CSR and human capital can be discussed. Again, these aspects not only need to be examined in the light of how socially responsible the firm is but also how it compares to the domestic environment. As with the macro level, the impacts of leading the market in responsible behaviour can be either positive or negative.

A. The **staff** of a firm are an appropriate indicator of the values of a company with respect to minorities, gender balance, foreigners versus nationals, and so on. Additional

measurements that examine deeper trends are the social status of employees, remuneration relative to other firms and employment practice which may reflect true processes of social responsibility within a firm. Following the hiring process, how intensive are training and capacity building efforts and where are they situated? Many firms focus on training senior managers and building the skill base of the educated middle class. However, sustainable development objectives require that capacity building also focus on building the unskilled levels of the labour pool and building the capacity of poor workers – thus raising the earning power of the marginalised classes. Is the firm making a growth oriented use of human capital? Or is development leading to increased mechanisation and a negative impact on the employment capacity of the sector? Are workers' rights, particularly the marginalised, elevated to a level where they set an example for the market? These questions need to be asked regarding the impact that a firm is having on the social health of its staff as well as the market.

B. Is the **style** of the firm's management and operation consistent with the cultural richness of the firm as a whole and societal norms? Or is



behaviour tolerated or even encouraged which is alien to the country? While some liberal forms of behaviour may be embraced by the educated and Élite class, they may draw criticism from more conservative segments of society that perceive the firm as a vehicle for foreign cultural influence.

- C.** The **structure** of a firm can have cultural ramifications, including the possible undermining of established social hierarchies. For example, if decisions and organisational behaviour are perceived to be overly dictatorial or overly democratic, workers may find it not in line with their cultural norms. Also, at the macro level, if the structure and the management appear to be driven by the goals of foreign employees or foreign stakeholders more than by local stakeholders, the goals of the firm may be called into question.
- D.** The **systems** within a firm sustain its operations through employee turnover as well as ownership and direction. The systems that support a firm will no doubt vary according to the sector and size of the firm. Systems also reflect the policy of a firm and its adaptability to change. For example, if an environmental, social or policy concern is raised, is the system sensitive to sustainable development
- goals within the developing country? Will a firm make a decision that places the livelihood of local communities in higher priority to its shareholders, or vice versa, as in the case of the Bhopal chemical disaster? At this level, the response of a company's systems is an ultimate indicator or acid test of the flexibility of a firm and the robustness of its commitment to sustainable development.
- E.** The **supra-ordinate goals** of the firm relate to its strategic objectives and its medium term goals within the sector. If these are responsible, they should align well with the health of the labour pool and the policy goals of the state for the sector. An often unaddressed question is whether the firm's goals support the long term sustainability and health of the sector as a whole.
- F.** The **skills** of the firm are an extension of the ability of the firm's staff but also the competitive advantages of the firm's physical and social capital. Are such skills being imported from abroad (expensive technology not native to the region) or are they being nurtured and fostered within the host economy (educating local human resources)? While the reality will generally lie somewhere in between, a firm with sustainable development objectives in its mission



statement should be able to foster the development of local competencies and advantage, thereby stimulating local investment rather than alienating competitors through technology importation and remaining the sole player within the domestic sector. If increased mechanisation is being encouraged with limited medium to long term benefit to the social sector, the firm may be tying up national resources which would be better spent on human development.

G. The overarching **strategy** of a firm consists of its mission statement and vision. It is also a culmination of the activities a firm engages in to maintain its existence through the short to long term. Of course, a firm's strategy will change with the market, and at some times conflict with the human development objectives of the government. The sustainable development balance needs to be maintained between what the firm is gaining from and contributing to the market.

To revisit the issue of social responsibility, the question at the micro level should be whether the internal environment of the firm's activities is setting the standard for companies within the sector in each of the seven areas touched upon. The effects that these activities are having on the corporate culture of other

firms are also of interest in measuring corporate social responsibility.

The Macro level of Economic Globalisation – Some Recommendations

Having discussed some of the issues and the micro and meso levels of CSR, let us examine the challenges that surround economic globalisation. The following set of recommendations will involve government, non-government, public and private sector players to ensure that sustainable social and economic development goals are met for the sector at the local and national level.

Challenges

Some of the broader challenges of implementing initiatives of CSR within the current paradigm of economic globalisation are as follows:

A. Ensuring **economic diversity** and preventing monopolistic behaviour by a select few firms. To this end, CSR must be implemented by all firms, along the lines of 'best available practices' from SMEs to TNCs. Furthermore, all firms, beyond the positive impacts of CSR must add an overall value to the market place. It cannot be overemphasised at this point that CSR in no way really assures the health of the domestic sector and cannot influence, in the short to medium term, the diversity and strength of a domestic market-



place that has a great deal more impact on the long term social and environmental well being of a people than one socially-responsible and conscientious firm. Open competition must be promoted by the government and allowed by the firm to allow for a rich sector that is made up of firms with a diversity of competitive advantages, capable of withstanding external shocks.

B. TNC activity must be transparent to stakeholders and allowed to be audited and accounted for by independent economic and social auditors. At both levels, TNC activity must be shown to add value to the domestic economy through a) technology transfer and b) managerial expertise and c) capacity building of the skilled and unskilled segments of the labour pool. With the implications of sustainable development in mind, an indicator of a firm's commitment to sustainable development should be seen in the investment made in hiring, educating and training employees from the unskilled and marginalised segments of the labour pool.

Steps have yet to be taken to balance the local and **international trading system** with the goals and visions of national governments. The operation of the WTO must be balanced and have CSR initiatives

incorporated into it with the power and regulatory authority of national governments. The expertise of the International Labour Organisation and NGO agencies, especially local ones, should to be elevated in support and co ordination of the monitoring and measuring of CSR activity. The increased attention of media and internet based organisations in this areas is heartening and must also included in the international NGO forums of discourse.

Recommendations for a way forward

How can firms that have been forged in market places driven by shareholder value, equity and market share be shifted to observe CSR not only to their own firms at the micro level but also to the sector and the nation/region at the meso and macro levels? The following recommendations suggest guidelines for policymakers to follow in planning and monitoring CSR related guidelines within their national boundaries:

- 1.** Just as military threats have been traditionally monitored by government agencies, economic threats are now being treated by developing countries with a growing degree of alertness. In meeting the challenge of observing TNC activity, governments need to co-ordinate with their agencies, NGOs, CBOs and trade associations that **monitor activities of TNCs**, both local and foreign



firms, with regard to social responsibilities. Outputs from such agencies should be directed towards the judicial process. In South Asia, in spite of much criticism, the agriculture TNC Monsanto, manufacturers of the renown terminator seed technology, had been trying for a long time to gain access to the agricultural markets. Somehow, they had managed to penetrate the Pakistani market within Punjab. Only after much NGO and GO persistence and communication, were their activities ceased.

2. Trade Associations need to take action at the sectoral level to incorporate NGO monitoring and maintain a credible system of auditing and monitoring their constituents. Building the capacity of self or domestic auditing may fit the cultural paradigm of the private sector within developing countries rather than engaging in auditing which requires foreign auditors and can be quite costly. As internet communication become more widely used by all parties, the monopolisation of information will likely take place on the international level. Local NGOs and the voices of regional CBOs and Unions need to be represented at the policy table; the job of trade associations to include and invite them. This would create a greater

purpose for governmental involvement and levy checks and balances on the relationships in between. In an age where information is being manipulated to propagate narrow visions and perspectives of development, governments need to ensure and include all stake holders at the table of such trade associations to ensure that credibility and integrity is maintained in relationships between all parties, otherwise cronyism and nepotism may result and contaminate the legitimacy of all parties involved.

- 3.** Governments also need to be aware of the need to **bring small and medium enterprises to the policy table** and ensure that larger corporations and their presence do not muscle out the participation of smaller growers and entrepreneurs which in many cases, forms the backbone of the informal sector in developing economies. In following European success, the obligations to CSR should be carried through a best available practices approach, depending upon the capabilities of each individual firm. Given the heavy funding of larger domestic firms and TNCs, they should be pointed to carry a leadership role in CSR.
- 4.** While nations are liberalising trade flows and competing for the investment potential of foreign firms,



- developing countries need to **implement and enforce legislation around anti competitive behaviour, intellectual property rights and transparency of corporate accounting** and ensure that the documents and systems that relate to corporate activity are as clear and accessible by civil society as possible.
5. Promote the possibilities of **public-private sector partnerships** by partnering foreign firms with national state entities. In this manner, through local and state firms, nations may be able to control the direction and monitor the impacts of TNC activity and CSR at the meso and macro levels so that it does indeed benefit national development initiatives and policies. It may also preserve the relatively intense employment of state entities that may otherwise be perceived as being long overdue for downsizing.
 6. While impacts of CSR can be measured using domestic resources, there needs to be increased **study of corporate activity and transfers across international boundaries**, particularly from South to North and the impacts of such flows on small and medium sized sectors. One area where such flows need to be monitored is within the agricultural sector as increased pressure from corporate farming bodies in the US and EU are pressuring for entry to developing economies where local employment has traditionally and long relied upon the presence of local firms.
 7. Government actors should lobby for the re-activation both in function and in global status of the **UN Centre for Transnational Corporations**, to monitor and examine the implications of CSR at the regional level. CSR tied into activities of the ILO and by giving the ILO more teeth, resolve the issue and problem of monitoring TNC activity.
 8. **Co-ordination** of regional NGOs and CBOs (south) to communicate the impacts of CSR at the local level and build capacity at the national level through the UN CTC (or other body). Attention needs to be drawn through international civil society action in areas where there is weak consumer activism. A more systematic approach at the international level may expose industries that are otherwise hidden from the spotlight of NGO scrutiny.
 9. As part of their monitoring programmes, policy makers must ensure that development goals are followed and aligned between foreign firms and governments. Therefore, **indicators of the marginalised** at the ground



level should be monitored closely both before and after TNC activity and in relation to efforts of CSR. In the end, sustainable development goals will be reflected in part by the proportion of wealth that has remained in the hands of the rich versus the amounts that have flowed towards the marginalised and the poor. The following indicators should be kept in mind.

- ▶ **Health of rural communities** (employment levels) and the presence of unions and labor representation at the ‘negotiating table with the firm’. In states such as Orissa, this will balance the power between the firm and labor and hopefully experience a rise in wages.
- ▶ **Productivity of rural labour pools** (days worked, contracts to cottage sectors).
- ▶ **State of child work and labour.** In many situations, socio economic circumstances will not prevent the presence of children in the workplace, a necessary element to household income. However, if TNCs, through CSR can raise the working conditions of those children and raise the wages of adult workers, there may be a reduction in the numbers of children in the workplace.
- ▶ **Price and affordability of commodity items** for consumers and small businesses in major sectors and sustainable sectors (electricity,

raw materials, fertilisers-pesticides-farm inputs, household consumables, affordability and availability of utilities-water-telecommunications-electricity).

While this chapter has in no way exhausted the range of policy implications and issues that need to be investigated with respect to Corporate Social Responsibility, it is hoped that policy makers examine CSR beyond accounting, human rights and hiring practices and towards sustainable development of the economy and social well being of the people.

Many organisations have attempted to measure and somehow quantify and show their commitment to social responsibility. However, as demonstrated by the ISO series of quality and environmental standards, a firm can meet the standards and still produce a product or render a service that is of questionable social or societal benefit. Hence, foreign firm and private sector activity must take place against a background of effective government regulation and consumer awareness. The bar for what defines leadership in CSR must also be raised and not reduced to mediocrity as pointed out by critics of the Global Compact.

Some examples from Europe have shown that a co-operative, integrity based relationship between a firm and state players, along with a critical and self-reflective as well as independent



relationship with NGOs can lead to a healthy grounds for cultivating sustainable development goals. Furthermore, at the market level, a non-predatory and even interface with competitors and a responsible relationship with the domestic market (trade association) must be demonstrated should a firm be deemed to be adhering to the tenets of corporate social responsibility.

In closing, it cannot be over-emphasised that no level of foreign direct investment can equate with the benefits of a strong, diversified and sustainably developed domestic sector where profits and revenues are circulated within the economy, domestic firms and its sub-sectors. Companies that are grown by the people, for the people and with the people are naturally more sovereign to the needs of the nation than any foreign TNCs who are accountable to overseas shareholders and interests.

Faisal Haq Shaheen, is Visiting Associate at the Sustainable Development Policy Institute, Pakistan

References

Bedford A., Blowfield, M., Burnett, D., and Greenhalgh, P., 2002, in focus National Resources Institute 'Value Chains: Lessons from the Kenya tea and Indonesia cocoa sectors', International Business Leaders Forum, NRI 2002.

Haq, K., 2001, 'The impact of Globalization on Human Development', Human Development Center, Oxford University Press, Islamabad, Pakistan.

Kemp M., 2001, 'Corporate Social Responsibility in Indonesia, Quixotic Dream or Confident Expectation?', Technology, Business and Society, Programme Paper Number 6, December 2001, UNRISD United Nations Research Institute for Social Development, Geneva, Switzerland.

O'Neill, K., 1999, 'Internetworking for Social Change: Keeping the Spotlight on Corporate Responsibility', Discussion Paper No. 111, UNRISD, September 1999 Geneva, Switzerland.

Shankleman, J. and Selby, S., 2001, 'Measuring the impacts of business and poverty' ISSUE PAPER3 Resource Center discussion forum held on 3 April 2001, The Resource Centre for the social dimensions of business practice, London, UK.

Utting, P., 2000, 'UN-Business Partnerships: Whose Agenda Counts?' Paper presented at seminar on 'Partnerships for Development or Privatization of the Multilateral System?', organised by the North-South Coalition Oslo, Norway 8 December, 2000, UNRISD, Geneva, Switzerland.

Corpwatch www.corpwatch.org/

Corpwatch India www.corpwatchindia.org/

Sustainable Development Policy Institute www.sdpi.org/

Consumer Unity and Trust Society

www.cuts-india.org/

Focus on the Global South

www.focusweb.org/

Third World Network www.twinside.org.sg/

United Nations Conference on Trade and Development

www.unctad.org/en/enhome.htm

ELDIS (Institute of Development Studies)

www.eldis.org/

United Nations Research Institute for Social Development www.unrisd.org/

GLOBAL PUBLIC GOODS



SOME KEY QUESTIONS

by Keith Bezanson, IDS

{4}



The notion of “global public goods” (GPGs) has recently assumed centre stage in the international agendas of policy makers. At the same time, GPGs have become a subject of extensive new academic study and scholarship. An urgent need is to link the two by examining academic discussions on GPGs in the context of actual and ongoing policy processes.



Such a bridging effort seems especially important at this time for two reasons. First, political and social pressures are mounting for the financing of a wide range of new initiatives in the name of GPGs. Secondly, there is currently considerable disagreement on the value and potential of an international public goods approach to addressing global concerns. The considerable enthusiasm expressed by some scholars and policy makers contrasts sharply with the serious reservations of others. Indeed, there are many who go so far as to express alarm about claims being made in the name of global goods and about what they view as the “fuzziness” of the concept of a global public good (GPG), especially when it is inscribed into policy processes.



The main question is of a practical nature and centres on whether the concept of global public goods can advance *thought and action on common concerns that affect a large portion of humanity*. This raises a number of challenges for clarity on three interrelated sets of factors associated with the growing attention paid to GPGs.

The first of these factors involves the very idea of a public good. The idea of a public good originates in the academic discipline of economics where it is accorded an exacting technical definition. There are major difficulties in extending it beyond its narrow economic scope and applying it at a global level. The second factor is globalisation. The usual assertion is that the requirement for the provision of GPGs is increasing as a function of globalisation. Yet, globalisation is a paradoxical phenomenon of numerous definitions and few tight conceptual boundaries. The third factor is the system of international development co-operation that has been placed at the centre of demands to ensure the provision of GPGs. This system finds itself under greater stress today than at any time since its launch over fifty years ago.

Each of these factors has its own share of conceptual imprecision and ambiguity, contradictory interpretations and competing viewpoints, and each is in a stage of rapid evolution. Their convergence makes attempts at developing integrative conceptual frame-

works problematic and risky. This is further compounded by the rapid pace of intellectual production and of policy shifts in relation to issues such as HIV/AIDS, peace and security, and climate change, among others, which bear directly on the conception of global public goods and their financing.

These difficulties and risks may be formidable, but for policy makers they make all the more urgent the need for a conceptual framework that integrates the key factors affecting the definition, delivery and consumption of GPGs. Viewed positively, the potential payoffs from such a framework, particularly in terms of better and more effective policies to address common concerns, may be substantial. Viewed negatively, the lack of conceptual clarity could lead to misguided policies and involve high opportunity costs. In addition, the very nature of public goods requires a conceptual framework that makes clear that it is not possible to escape values, preferences, interests, asymmetrical knowledge and power relations in defining global public goods and in arranging for their provision. Without policy processes that take all these factors into consideration, declarations that something is a GPG are essentially empty rhetoric.

Among the key questions that need to be asked and for which a conceptual framework is required would be the following:



► ***To what extent is the international public goods approach useful in addressing global common concerns?***

To quite a significant extent. Indeed, by focusing attention on the limitations of current political, legal, institutional and financial arrangements for addressing global problems, the GPGs approach has already made an important contribution. However, there is a need for pulling together a growing number of disparate conceptual contributions, to reach consensus and broad agreement on definitions, and to move from the intellectual to the policy arena. In a sense, this would be similar to what happened with the concept of “sustainable development” during the last decade. Initially it generated a lot of controversy and debate, but gradually it became more precise, policy-oriented and widely accepted.

► ***How should the process of defining of global public goods be approached?***

With restraint, circumspection, rigour and patience. Current practice has led to grouping all manner of global concerns, aspirations or desirable situations under the title of “global public goods”. Absent definitional precision, this could soon render the term meaningless. Also, the more focused the definition the greater the

possibility of deriving useful policy implications and of mobilising financial resources. This requires adopting rather stringent conditions regarding the reach of cross-border spillovers or externalities, and the degrees of non-excludability and non-rivalry. The distinction between “core” and “complementary” GPG, together with the components of an “idealised international public goods delivery system”, can be of help in this task.

► ***How should choices be made on which international and global public goods to provide?***

By emphasising the political nature of these choices. The determination of what are international public goods and which ones have priority for provision involves a multiplicity of actors with different interests and agendas. The international community of nations, corporations and civil society associations faces difficult choices in setting priorities, allocating all types of scarce resources (political capital, attention of key decision makers, institutional and organisational capabilities, finance), and in mobilising support for such choices. The lack of public spaces specifically devoted to discussion, negotiation and agreement on such matters can be seen as a major shortcoming of the current international system.



A possible response to this might be the establishment of an “international and global public goods” entity, preferably of a temporary nature and within the UN system, whose function would be to debate these issues systematically and to give recommendations on priorities and on the structure of international public goods delivery systems¹. It would, of course, be no easy task to reach consensus on whether halting the spread of HIV/AIDS is more or less important than conserving biodiversity, or on whether maintaining peace and security should take precedence over abating climate change or maintaining global financial stability. Such choices, however, are currently being made – albeit implicitly – without much discussion and without attention to the asymmetries that are inherent in international power relations. The establishment of such an international entity may be seen as a first step to redress this situation.

► ***How can the widest possible participation be ensured in the design and implementation of international public goods delivery systems?***

It cannot unless better institutional arrangements are put in place. The varying extents to which countries – as well as firms, associations and

individuals – benefit from and contribute to the production of an international public good lead them to assign different priorities to externalities, spillovers, degrees of excludability and other characteristics of international public goods. Identifying and responding to such diversity of demands requires highly inclusive institutional arrangements, capable of processing a multiplicity of viewpoints and of ensuring the participation of all relevant stakeholders – while at the same time avoiding glaring inconsistencies and maintaining overall coherence. In this regard, the perception that arrangements for the provision of some public goods are an imposition of rich donor countries and Northern NGOs reduces their legitimacy, creates ownership problems and conspires against the active involvement of those who actually produce the international public good. Therefore, discussions and negotiations regarding the definition, provision and financing of international public goods should involve the participation and co-operation of as many of the affected stakeholders and constituencies as possible.

This is not happening, and will not happen, in the absence of mechanisms to build and support the capacity of developing country stakeholders – which are usually at a



disadvantage – for active and meaningful participation in the design and operation of GPGs regimes. Such mechanisms could take the form of a general “participation fund” along lines proposed by the UNDP, or of specific participation financing tied to an individual GPG. They would allow reaching out to researchers, academics, intellectuals and informed representatives of civil society in developing countries, whose participation in decisions affecting the provision of GPGs could also be considered, in itself, as an international public good.

► ***How can global, regional, national and local interests be aligned so as to ensure that effective actions are taken to ensure the supply of an international or global public good?***

By creating appropriate incentive systems and financing mechanisms. A great variety of state, private and civil society actors must be involved in the provision of a GPG, all the way from raising awareness about its importance at the global level down to the specific activities that actually produce or consume it. The regimes associated with it should establish rules, regulations, incentives, financing mechanisms and procedures to influence their behaviour and motivate their active involvement in the

provision of the public good. Yet, it may not be enough to focus on the explicit policies directly associated with an international public good delivery system; other international, national or local policies can thwart its purpose and contain, in effect, an array of “implicit” public goods policies that neutralise efforts to provide it. For example, energy pricing policies may stimulate the consumption of fossil fuels and undermine emissions reduction programmes, agricultural and forestry policies may override biodiversity conservation efforts, and intellectual property regulations may constrain the ability to halt the spread of HIV/AIDS. In addition, well-designed and properly aligned incentive systems could help in avoiding free-riding and the underprovision of international public goods.

Aligning the activities of the variety of public, private and civil society agents that intervene in an international public goods delivery system is a complex task that requires substantive policy analysis and administrative capabilities. These are not always found in international organisations and may be available only to a limited extent in the national and local governments, private sector and civil society institutions of developing countries. Therefore, it is essential to strengthen their capacity to contribute



to the design and operation of an effective international public goods delivery system¹. At the international level it is important to reinforce UN bodies and other regional organisations, and to avoid an excessive reliance on the multilateral development banks. As indicated in the preceding sections, the MDBs should have an important but not primary role in the provision of global public goods, for they must balance this role with their central functions of financial intermediation and national capacity building aimed at reducing poverty and improving living standards. At the same time, MDBs should include international and global public goods concepts and practices in their operations, and particularly, in their policy dialogues with borrowers and grantees.

► ***How best to approach financing issues in an international public goods delivery system?***

There is no single “optimal” approach to the financing of global public goods. While some general principles and questions are useful in the examination of financial issues and alternatives (e.g. To what extent can the externalities be internalised? Could a market be created? Could international fees or taxes be levied?

How far down along the continuum from global to local should a GPG stretch?), a singular set of appropriate financial arrangements will apply for each specific international public good. This implies adopting a systematic “case by case” approach to the identification and choice of financing mechanisms. Nevertheless, a few guidelines can be inferred from the conceptual framework, the case studies and the review of the literature in this report.

First, even in cases where externalities can be internalised and market-based instruments established to provide incentives for private agents to engage in the production of a GPG, public intervention, including public financing, will be required. This is because the proper operation of an international public goods delivery system requires transparency, openness, accountability and an effective regulatory framework. These good governance features require public financing. Thus, a certain amount of public financing will be required for market mechanisms to deliver GPGs.

Second, public funding is and will remain by far the main source of financing for GPGs. The scope for private sources, including both profit and not-for-profit corporations and

¹ For example, it may be possible to create a temporary Working Group as a result of the UN Conference on Financing for Development to address these questions.



individuals, is important and growing, but the amounts generated are likely to remain quite modest in comparison to public funding. Moreover, there is a much higher degree of uncertainty with regard to predictability and sustainability of funding from private sources. There is, in the end, no substitute for public funding of GPGs.

Third, to the extent that the numerous proposals and calls for the provision of GPGs become operational (i.e. regimes are established for their delivery), more stable and predictable sources of public funding for such goods will be essential. Existing arrangements of voluntary contributions (United Nations) or regular replenishments (GEF) are weak and unreliable and will not provide the security of regime essential for an expanded provision of GPGs. Thus, if the international system evolves to the provision of GPGs on a widespread basis, international taxation, fees and levies become essential, indeed inevitable.

Fourth, there is a need to separate clearly those resources allocated to development assistance in general, which would benefit primarily the recipient countries, from those used in the provision of GPGs – which benefit developed countries at least as much as developing countries. The financing of international and global

public goods should not come at the expense of development assistance flows, and particularly those directed to the poorest developing countries.

► ***How can uncertainty, time lags and the dynamic character of international public goods be dealt with?***

By being flexible, adaptive and adopting a learning stance. In the relatively short time international and global public goods issues have acquired prominence, and despite the confusion and controversy that have accompanied their eruption onto the international scene, an informal collective learning process appears to be under way. Even as the concept of public goods has become a moving target, intellectual contributions are now building on one another and academic and policy-oriented debates are focusing on the most relevant of these. However, if the concept of international and public goods is to realise its potential, it will be necessary to put in practice a broader and more operational collective learning process.

This would involve treating initiatives to provide international and global public goods as experiments from which to learn. Temporary and highly focused institutional arrangements involving multiple stakeholders may be a way to proceed



forward without undue rigidities and without committing excessive amounts of resources. Such arrangements would have to be monitored and evaluated continuously, with the aim of spreading best practice (this could be a task for a possible UN “international and global public goods” entity at the UN). Without too much exaggeration, enhancing the learning capacity of the international community to improve the provision of international and global public goods may be itself considered as a public good.

In the last analysis, transforming a most promising approach – international and global public goods – into an effective instrument for dealing with common global concerns will require, beyond instituting a collective learning process, very strong leadership along with forward looking countries, institutions and persons committed to the goal of global equity and sharing the responsibility of realising such potential.

Keith Bezanson is Director of the Institute of Development Studies, University of Sussex, UK.

WHY WE DON'T NEED A NEW INTERNATIONAL ENVIRONMENTAL ORGANISATION



by Adil Najam, Boston University

{5}

“

[World Organisations] are credited with an importance they do not possess; they are blamed for not doing what they are not given the means to do; faults that are often imaginary are ascribed to them, while their real faults go unnoticed; mythical explanations are invented to explain their ineffectiveness; and finally, there is very little recognition of the few significant results that they do achieve.

MAURICE BERTRAND (1989)

”

The current debate about global environmental governance, with its dominant focus on establishing a super-organisation for the environment, represents a serious misdiagnosis of the issues, is patently unfair to the United Nations Environment Programme (UNEP), and could be downright dangerous in its implications and impacts.



This is not to suggest that there is no 'crisis' of global environmental governance: indeed, there is one. The crisis, however, is one of 'governance'; of which organisational structure is but one element and, in this case, a relatively small element at that. By co-opting the larger discussions on global environmental governance, the discourse on organisational tinkering – under whatever grandiose name such proposals are advertised – is distracting from the more important and immediate challenges of global environmental governance that we face as the Rio compact on environment and development crumbles around us. The thought that any of the competing plans for WEO or GEO (World/Global Environmental Organisation) that are being peddled might actually be taken seriously by the world's governments – as sometimes seems possible – is even more disturbing. Not only do they show very little promise of doing much good to the cause of improved global environmental governance, but some could actually do significant harm.

The danger of confusing 'institutions' and 'organisations'

The focus on organisational minutiae is dangerous precisely because it distracts from the more real and immediate institutional challenges to global environmental governance. Two such challenges are of particular centrality to how the

'institution' of global environmental governance might evolve over the future.

The first relates to near demise of the much-celebrated Rio compact on sustainable development – the supposed understanding between the developing countries of the South and their more industrialised counterparts from the North that environment and development will be dealt with as an integrated complex of concerns within the context of current and future social justice and equity. The compact, to whatever extent it did exist, was always understood to be an expression of desire rather than reality – what Tariq Banuri (2001) calls "a triumph of hope over experience." The hope, obviously misplaced, was that in time the compact would become real; that both North and South would somehow learn not simply to accept it but to operationalise it.

That was not to be. In fact, the optimism was shed rather quickly – the North soon became wary of the 'fuzziness' of sustainable development while the South began to fear that the supposed 'definitional' problems with the concept were being used as an excuse for maintaining the status quo. At the eve of the World Summit for Sustainable Development (WSSD) the very concept of sustainable development lies much bruised; all but ready to be buried at Johannesburg.

The implication of this for the future of global environmental governance is



profound. To whatever extent the concept of sustainable development embodied the semblance of an *institutional* bargain on how environmental issues should be contextualised globally, that bargain is now functionally defunct – and so is the very tentative and always nebulous accord that might once have existed on why global environmental governance may be a good thing, for whom, and on what terms. It is not a surprise, then, that the immediate reaction of many in the South is to shirk at the first mention of a GEO or a WEO; or that the addition of development-related flourishes to these proposals fail to woo the South and are either rejected to ignored. Frankly, the glib and lofty goals of finding “thoughtful ways to manage our ecological interdependence” (Esty, 2000: 14) or of “[elevating] environmental policies on the agenda of governments, international organisations, and private actors” (Biermann, 2000: 29) are no longer credible, or necessarily appealing, to those who have lived through the last ten years of broken global promises on sustainable development. In essence, the very basis of global environmental co-operation – and thereby governance – that might have seemed to exist a decade ago, is under threat today. As Agarwal et al. (1999: 372) point out, no effective governance is possible under the prevailing conditions of deep distrust.

The second critical challenge to the cause of improved global environmental governance pertains not to the exclusion of the concerns of Southern governments from the emerging ‘New Global Environmental Order’ but to the exclusion of civil society concerns; largely, but not exclusively, from the South. On the one hand, those who focus on organisations tend to confine their analysis to inter-state interactions; for them the ‘national’ in international refers principally, if not entirely, to national governments. On the other hand, the very nature of the environmental problematique is different from many other international concerns (e.g., defense and security) in that a greater proportion of key environmental decisions lie beyond the direct ability or authority of states. This underscores the need for a society-centric view of global environmental governance; one that includes state organs but goes beyond them. (Banuri and Spanger-Siegrfried, 2000) This, of course, stands in contradiction to the predominantly state-centred view of global governance in the organisationally inclined literature. This is not to suggest that interstate organisations are unimportant. Far from it, they will have to be an integral – probably a central – component of improved global environmental governance. From an institutional perspective, however, the quality of such governance will be determined by how



interstate organisations are integrated with the networks of civil society. In ignoring, or downplaying, the centrality of such integration the organisational debate fails to rise to the challenge of what could have been a very timely discourse on meaningful 'institutional' reform.

Having said the above, there are other streams of scholarship on global governance that do recognise the key challenge as the creation of institutions that can integrate the multitude of voices that now feel alienated from the official chatter on global environmental issues. For example, those who talk in terms of global public policy networks, or GPPNs, see better governance emanating not just from decisions taken at centralised interstate organisations or via coordinated legal frameworks but also through networks of dispersed decision points spread out globally, across all sectors; state, market and civil (see Reinicke and Deng, 2000). This leads one to a very different set of organisational questions – the emphasis would shift from a search for better management as measured by administrative efficiency to better networking as gauged by broad-based legitimacy. (Banuri and Spanger-Siegfried, 2000)

Viva la UNEP

Although not always intentional, the immediate casualty of the gross misdiagnosis on the part of WEO/GEO proponents is the reputation of the

United Nations Environment Programme. Even though some view UNEP as the central core of the ultimate super-structure for global environmental governance (e.g., Downie and Levy, 2000) – and some within UNEP may well find this notion appealing – the fact of the matter is that, implicitly or explicitly, UNEP is portrayed as being at the root of the 'problem.' After all, if the existing organisational structure is accused of being inefficient, ineffective and illegitimate, then UNEP – which is the centrepiece of that structure – must also stand accused. Indeed, like any other UN agency, UNEP has much that can be improved. However, the barrage of direct stings and indirect accusations showered on it either ignores or underplays its very significant achievements.

The tragedy is not just that such proposals are based on the assumption that the much-trumpeted 'weakness' of UNEP lies at the heart of the crisis of global environmental governance. Nor is it just that even the critics of such schemes nearly never question this assumption. The real tragedy is that UNEP's own leadership seems to have bought into this assumption. The rampage of exaggerated external criticism and unwarranted self-doubt cannot bode well for UNEP or for the morale of its staff. Indeed, this essay argues that while UNEP is certainly not the 'perfect' agency, and while there is much that can and should be improved,



it is *not* the weakling or underachiever that it is portrayed as. Arguably, it is amongst the *better* members of the UN family both in terms of performance and legitimacy and it has every right to stand proud of its remarkable achievements; which, by the way, came despite all the limitations that its critics are so fond of enumerating.

Like much of what is being proposed in the current round, UNEP was originally conceived as the “environmental conscience of the UN system” and was charged to act as the “focal point for environmental action within the United Nations system.” (UNGA, 1972) In defining this mandate of coordination, it was thrust with “perhaps one of the most difficult jobs in the entire UN system.” (Sandbrook, 1983: 388) It has been hinted that UNEP may have been designed for failure; or at least for something less than success. (von Moltke, 1996) As McCormick (1995: 152) points out, “it had severe obstacles placed in its path from the outset. It had too little money, too few staff, and too much to do, it had the thankless task of coordinating the work of other UN agencies against a background of inter-agency jealousy and suspicion, and national governments were unwilling to grant UNEP significant powers.” Given the sprawling and bickering nature of the UN machinery, its own lack of executive status, and the dismal resources at its command, “UNEP could

no more be expected to ‘coordinate’ the system-wide activities of the UN than could a medieval monarch ‘coordinate’ his feudal barons.” (Imber, 1994: 83) It should, therefore, be no surprise that UNEP has not been able to fulfil, what Conca (1996: 108) has called, “its hopeless mandate as system-wide coordinator on environmental matters.”

Yet, while there is agreement that UNEP has not been allowed to fulfil its coordination mandate, it is also argued that it “can be credited with having achieved more than it was in reality empowered to do”. (McCormick, 1995: 153) Those who have studied it in depth agree that it is “generally well-regarded” (Imber, 1993: 56), “relatively effective” (Conca, 1996: 112), and given meagre resources and authority it “has been a remarkable success”. (von Moltke, 1996: 58) While this is not the place to evaluate UNEP’s achievements, let us list a sampling of reasons why it should be considered not just a successful organisation but amongst the better international organisations. Indeed, no UN agency (including the United Nations Development Programme or even the Secretary General’s secretariat) has been allowed to fulfil the coordination function; moreover, there is no indication that any agency (current or future) will be allowed such a liberty.

Making the Environment a ‘Global’ Issue: The single most important, and totally unappreciated, achievement of



UNEP is its role in converting the environment into a `global' issue. It is easy to forget the hostility with which the developing countries had greeted the Stockholm Conference of 1972 and the subsequent establishment of UNEP. (Founex, 1972) The placement of UNEP in Nairobi was not just a `symbolic' act; it was a strategic necessity without which the developing countries might never have accepted an environmental organ to be created. (Rowland, 1973) The fact that this became the first, and only, UN organ to be based anywhere in the developing world galvanised the South both in the process of getting it to locate in Nairobi and in its early and most difficult years; the 1970s into the mid-1980s. (Gosovic, 1992)

Although they stood with UNEP largely out of a sense of Southern solidarity, the developing countries began buying into parts of the environmental agenda and, more importantly, demanding that the agenda be modified to incorporate their realities. Indeed, the call to set up the World Commission on Environment and Development (WCED) came out of a discussion at the UNEP Governing Council. While WCED might have come up with the term sustainable development, the stage for it had already been set by UNEP and its Governing Council at its tenth anniversary meeting in 1982.

Advancing the Global Environmental Agenda: Those who gathered

at Stockholm in 1972 could scarcely have imagined the global environmental agenda becoming as advanced and as prominent in international affairs as it is today. UNEP played a significant part in this transformation. (Caldwell, 1990) Through its various activities, and especially training programs, it helped create an environmental constituency within and outside governments that has been at the forefront of moving this agenda forward. It played a pivotal role in putting desertification, ozone depletion, and organic pollutants on the global agenda. (Downie and Levy, 2000) Even for issues like climate change, biodiversity and deforestation, UNEP's contribution has been more important than it is often given credit for.

International Environmental Law: International environmental law has probably been the single fastest growing sub-field of international law; and UNEP has to be amongst the most active and productive UN agencies in terms of advancing international law. This is not an idle statement. Apart from the agenda-setting role it played on issues such as desertification, biodiversity and climate change, it has been the principal negotiation-manager for complex global regimes on ozone depletion, trade in endangered species, trade in hazardous wastes, persistent organic pollutants, regional seas, etc. For an organisation as young and as resource-strapped as UNEP, this is a



remarkable achievement indeed. Importantly, UNEP-managed treaty negotiations – such as those on ozone depleting substances and more recently on persistent organic pollutants – have been amongst the most efficient successful global environmental negotiations to date.

Legitimacy: If they were not earnest, it would be funny that some proponents of a super-organisation wish to scrap UNEP and replace it with something that might look more like the World Trade Organisation (WTO); it is not even funny to suggest that UNEP lacks legitimacy. (see Esty, 1996) Massive public demonstrations from Seattle to Prague and feelings of distrust and apprehension is what comes to mind when one thinks of the WTO or the World Bank (another organisation that is sometimes talked about as the model to follow). UNEP, on the other hand, does not have to place barriers or bring out riot police at its annual meetings and has a tradition of good relations with civil society. Indeed, in terms of general public legitimacy and honest efforts to involve civil society in its orbit, UNEP has fared much better than most international organisations even though, as we will note, there remains room for improvement. (Banuri and Spanger-Siegfried, 2000)

In summary, while UNEP has its share of problems they relate not to its mandate as much as to the resources that

have been provided to it. The fact that some governments, and it seems some academics, have never forgiven it for being located in a developing country does not help either. It is unfortunate that its recent leadership – particularly its last Executive Director, Elizabeth Dowdeswell of Canada – has been defensive about both its achievements and its potential, instead of building upon its rather rich legacy of performance. It is, by no means, a perfect organisation; but it has been a rather good one. It would be sad if in our zeal for organisational rearrangement, we made the allegedly perfect the enemy of the demonstrably good.

Towards Better Global Environmental Governance

It should be obvious that this author is not persuaded by the need for an environmental super-organisation. However, an argument against new organisational superstructures should not be confused with an argument for organisational inertia. All organisations should strive for improvement, and global environmental organisations – including UNEP – are no exception. There are a number of elements within the various proposals that do make sense – not as arguments for organisational rehaul, but as elements of an agenda to improve the existing organisational setup. Moreover, change that happens within the existing system is likely to be substantively less



disruptive and politically more feasible. This final section highlights five key elements of a potential agenda for organisational improvement that can be pursued within the confines of the existing structures and would begin addressing the larger institutional challenges of global environmental governance discussed earlier.

1. Enabling UNEP to Fulfil its

Mandate: There is no need to change UNEP's mandate. There is, however, an urgent need to provide it with the resources, staff and authority it needs to fulfil its mandate. UNEP's shareholders – i.e., the member states – need to invest in UNEP in proportion to the responsibilities that they demand of it. One step in this direction might be to convert UNEP into a specialised agency (as opposed to a 'Programme') with the concomitant ability to raise and decide its own budget. However, given the political wrangling this would require, the UN General Assembly might consider maintaining UNEP's 'Programme' status but providing it with greater autonomy in budgetary matters to ensure a sufficient and consistent resource base. Indeed, UNEP was originally modelled around the United Nations Development Programme (UNDP) and should aspire to fulfil that original intent. While this would obviously require

the UN Secretary General and members states to give UNEP the budgetary and operational prominence that it has so often been promised, it would also require more assertive leadership from UNEP so that it gets the respect it deserves. One step could be to invest in making its flagship *Global Environmental Outlook Reports* an environmental equivalent to the World Bank's *World Development Reports*, or UNDP's *Human Development Reports*.

2. Realising Sustainable Development:

Over the years, many have become quite fond of arguing that the problem with sustainable development is that it is very difficult to define. While defining it in precise terms is certainly not easy, it is also not entirely necessary. The real problem with sustainable development is that the governments of the world lack the commitment to realising it. The main culprit in this regards are governments in the North that have consistently reneged on their financial commitments. However, the governments of the South are also to blame for viewing sustainable development simply as an excuse to continue with development as usual without any regard to its environmental consequences. From an organisational perspective, realising sustainable development would imply



streamlining mechanisms for a) financing sustainable development, and b) monitoring and validating progress. Because of problems of transparency as well as performance, many developing countries consider the Global Environmental Facility (GEF) to lack legitimacy. (Agarwal et al., 1999)

Other funding mechanisms are even more strapped for cash. The 2002 World Summit on Sustainable Development provides an ideal opportunity to reconsider the operation of GEF, broaden the scope of activities that it can finance, replenish it to higher levels, and possibly place its management more firmly within an agency that routinely deals with issues of environment and sustainable development. The existing trilateral management structure involving UNEP, UNDP and the World Bank can, in fact, be maintained while UNEP is given the role of the 'lead' agency in its actual management. Doing so would also go a long way in allowing UNEP to fulfil its existing mandate to the fullest.

3. *Managing MEA proliferation:*

Over the last decade, the great increase in negotiations pertaining to the new or existing multilateral environmental agreements (MEAs) has caused a serious problem of MEA proliferation and attendant

pathologies of 'negotiation fatigue', particularly amongst developing country delegates. (Najam, 2000a) This has placed an immense burden on most developing countries, which simply do not have the resources to keep up with the frantic pace of increasingly complex negotiations. Moreover, the frenzy to complete negotiation as quickly as possible has left behind a legacy of less-than-perfect agreements or resulted in too little attention being paid to questions of implementation. (Najam and Sagar, 1998) It makes sense to pause and make sense of how these various MEAs fit together. A certain clustering of independently negotiated treaties has begun to emerge organically as part of the evolution of international environmental law; it is timely to convert this into a deliberate schema. (Najam, 2000a) Von Moltke (2001), in particular, has outlined a useful list of possibilities for MEA clustering. A co-location of MEA secretariats seems an equally pragmatic idea that would provide efficiency gains, increase cross-treaty communication, and deter from MEA fiefdoms. Overlapping or joint meetings of related MEAs, possibly in permanent locations, would serve to ease the pressures on participating delegates and encourage more continuity in representation. UNEP, with its sterling record of MEA



management – both in terms of overseeing complex negotiations and of hosting MEA secretariats – again emerges as the best-suited candidate for this job.

However, this would not require a new super-organisation. Nor would it require a major legal restructuring of UNEP's mandate. The task was already awarded to UNEP a decade ago by Agenda 21 which called upon UNEP to 'concentrate' on (amongst other things), the "further development of international environmental law, in particular conventions and guidelines, promotion of its implementation, and coordinating functions arising from an increasing number of international legal agreements, inter alia, the functioning of the secretariats of the Conventions... including possible collocation of secretariats established in the future." (Section 38.22[h])

4. Co-ordination, Yes; Centralisation, No: Echoing UNEP's original charter, Agenda 21 had also defined UNEP as the "principal body within the United Nations system in the field of environment". (Section 38.23) However, for good reason, neither had seen it as the *only* UN body with relevance to the environment. Centralisation makes little conceptual sense for issues related to the environment, and even less for sustainable

development. Given the fundamentally interlinked and cross-sectoral nature of these issues UNEP's original mandate as a catalyst and coordinator was, in retrospect, quite well-conceived. However, as already noted, UNEP has been less than successful in realising its coordination mandate. At the same time, the coordination mandate is now spread out around the system – in addition to the CSD, the recently created Environmental Management Group (EMG) and the Global Ministerial Environment Forum (GMEF) both seem to have some elements of the coordination function in their mandates. This dilution of UNEP's coordination responsibility may not be a bad thing. Not only is coordination a thankless job but, as Mark Imber (1993: 66) reminds us, "the primary responsibility for coordination rests with governments." The Agency heads that make up EMG and the senior government delegates that make up CSD and GMEF seem far better positioned for UN-wide coordination than UNEP's secretariat staff could ever be expected to. Having multiple forums for coordination may also not be bad – there is enough cross-participation within these groups to keep duplication or contradiction manageable, while multiple forums could actually have the effect of reinforcing each other on the need for coordination.



5. *'Civilising' Global Environmental Governance*: Providing the space and opportunity for meaningful participation of civil society networks in global environmental governance may well be the most important challenge from the institutional, as well as the organisational standpoint. (Banuri and Spanger-Siegfried, 2000) Within the realm of global public policy, the environment is an issue where civil society has been particularly active and influential (Gordenker and Weiss, 1995; Najam, 1999). However, there is a growing sense that international organisations are becoming increasingly introverted. Especially in the aftermath of recurrent civil protests arising from a deeply felt distrust of globalisation – and of international organisations as the agents of globalisation – both UNEP and CSD need to invest more attention to linking with civil society. In a recent Banuri and Spanger-Siegfried (2000) lay out a detailed set of recommendations for establishing deeper linkages with civil society actors, particularly GPPNs, for leveraging the opportunities for policy innovation and cross-sectoral synergies that this would offer. We also need to begin viewing civil society not just as stakeholders in, but as motors of global environmental governance. Following the tradition of human rights regimes, civil society networks could potentially

become the real drivers of MEA implementation. Indeed, for political as well as logistic reasons, they may be more likely to play that role than governments or intergovernmental agencies. (Najam, 2000b)

Adil Najam is Professor of International Relations at Boston University and a visiting fellow at the Sustainable Development Policy Institute, Pakistan. This is an edited version of a longer paper with the same title, available online at www.bu.edu/cees/Najam-GEO-SDPI.pdf. It is also included in a Chatham House collection of papers and in the journal *Global Governance*.

References

- Agarwal, Anil; Sunita Narain; and Anju Sharma.** 1999. *Green Politics*. New Delhi: Centre for Science and Environment.
- Banuri, Tariq and Erika Spanger-Siegfried.** 2000. *UNEP and Civil Society: Recommendations for a Coherent Framework of Engagement*. Boston: Stockholm Environmental Institute.
- Banuri, Tariq.** 2001. 'Envisioning Sustainable Development.' Unpublished note. Boston: Stockholm Environmental Institute.
- Bertrand, Maurice.** 1989. *The Third Generation World Organization*. Dordrecht: Nijhoff.
- Biermann, Frank.** 2000. 'The Case for a World Environmental Organization.' *Environment*, 42(9): 22-31.
- Conca, Ken.** 1996. 'Greening the UN: Environmental Organisations and the UN System.' Pages 103-119 in *NGOs, the UN, and Global Governance* edited by Thomas G. Weiss and Leon Gordenker. Boulder: Lynne Rienner.



- Downie, David L. and Marc A. Levy.** 2000. 'The UN Environment Programme at a Turning Point: Options for Change.' In *The Global Environment in the Twenty-First Century: Prospects for International Co-operation*, edited by Pamela S. Chasek. pages 355-377. Tokyo: United Nations University Press.
- Esty, Daniel C.** 2000. 'The Value of Creating a Global Environmental Organization.' *Environment Matters: Annual Review* (World Bank), pages 13-14, July 1999-June 2000.
- Founex.** 1972. 'Development and Environment'. Report and Working papers of Experts Convened by the Secretary General of the United Nations Conference on the Human Environment (Founex, Switzerland, June 4-12, 1971). Paris: Mouton.18
- Gordenker, Leon and Thomas G. Weiss.** 1995. 'NGO participation in International Policy Processes.' *Third World Quarterly*, 16(3): 543-555.
- Gosovic, Branislav.** 1992. *The Quest for World Environmental Co-operation: The Case of the UN Global Environment Monitoring System*. London: Routledge.
- Imber, Mark.** 1993. 'Too Many Cooks? The Post-Rio Reform of the United Nations.' *International Affairs*, 69(1): 55-70.
- Imber, Mark.** 1994. *Environment, Security and UN Reform*. London: St. Martin's Press.
- McCormick, John.** 1995. *The Global Environmental Movement* (second edition). New York: John Wiley and Sons.
- Najam, Adil and Ambuj Sagar.** 1998. 'Avoiding a COP-out: Moving Towards Systematic Decision-Making Under the Climate Convention.' *Climatic Change*. 39(4).
- Najam, Adil.** 2000a. 'The Case for a Law of the Atmosphere.' *Atmospheric Environment*, 34(23): 4047-4049.
- Najam, Adil.** 2000b. 'The Four C's of Third Sector-Government Relations: Co-operation, Confrontation, Complementarity, and Co-optation.' *Nonprofit Management and Leadership*, 10(4): 375-396.
- Reinicke, Wolfgang H. and Francis M. Deng.** 2000. *Critical Choices: The United Nations, networks and the future of global governance*. Ottawa, Canada: International Development Research Center.
- Rowland, Wade.** 1973. *The Plot to Save the World*. Toronto: Clarke, Irwin and Co.
- Sandbrook, Richard.** 1983. 'The UK's Overseas Environmental Policy.' In *The Conservation and Development Programme for the UK: A Response to the World Conservation Strategy*. London: Kogan Page.
- UNGA.** 1972. 'United Nations General Assembly Resolution 2997 (XXVII)'. Adopted December. New York: UN General Assembly.
- Von Moltke, Konrad.** 1996. 'Why UNEP Matters.' *Green Globe Yearbook of International Co-operation on Environment and Development, 1996*. Pages 55-64. Oxford: Oxford University Press.
- Von Moltke, Konrad.** 2001. 'The Organization of the Impossible' *Global Environmental Politics*. 1(1): 23-28.

PARTNERSHIPS AND WSSD:



BRAVE NEW WORLD OR BLIND ALLEY?

by Tom Bigg, IIED

{6}



Partnerships among major groups have become more common since UNCED, including productive relationships between NGOs and business. Such partnerships now involve dozens of multinational companies and NGOs, focusing on both social and environmental objectives. These partnerships are changing strategies and practices in both the business and NGO sectors, with important implications for future sustainable development efforts and broader coalition and partnership building.

UN SECRETARY GENERAL'S REPORT
IMPLEMENTING AGENDA 21



There is a great deal of interest in the notion of 'partnerships' for sustainable development in the preparations for the World Summit on Sustainable Development, but much less clarity on what these entail. Can differences between participants (in values or objectives) be reconciled? Can such partnerships deliver meaningful, credible and significant outcomes through the WSSD process and beyond? Even though (or perhaps because) there has been little debate on these issues, strong support is evident from a wide range of sources for a broad-based 'Global Deal' involving what the UK Government terms 'complementary commitments by governments, civil society and business, in accordance with their different capabilities and responsibilities'.



WSSD TERMINOLOGY: A SHORT GUIDE

At the 3rd WSSD PrepCom (25 March – 5 April) attention turned to the role of ‘partnerships’ between different actors (local, national and global governmental institutions; NGOs; the private sector; community organisations etc) in delivering implementation of agreed sustainable development objectives. The general typology used for these is:

Type 1 outcomes: these are negotiated by governments through the PrepCom process. They are now divided into ‘Type 1A’ – tackled in the proposed WSSD Political Declaration (a short declaratory document to be endorsed by Heads of Government) and ‘Type 1B’ – to be addressed in the Johannesburg Programme of Action.

Type 2 outcomes: are ‘a series of implementation partnerships and commitments involving many stakeholders. ... These would help to translate the multilaterally negotiated and agreed outcomes into concrete actions by interested governments, international organisations and major groups’ (Opening Statement by the Chairman of the 3rd WSSD PrepCom). There is now a procedure in place for registering type 2s – see www.johannesburgsummit.org for details. Much less has been done to elaborate the methodology being used and the support available to redress inequalities and sustain these initiatives post-Summit.

Global Deal: a set of commitments and responsibilities to implement sustainable development. Led by governments and endorsed by Heads of State, but incorporating activities involving business and civil society at all levels.

However, serious misgivings have been expressed by others at the possibility that these partnerships could come to replace government commitments and obligations. (SDIN, 2002) Most governments (notably the EU and South Africa) have been careful to state that ‘type 2’ should not supplant ‘type 1’. Any proposed collaboration should

enhance the implementation of priorities established in the text negotiated by governments. On the other hand, the US Government has made it clear that the Summit should focus predominantly on identification of type 2s and that agreement of a consensus text is not necessary. An internal US position paper argues that ‘in



focusing on negotiated text, the CSD loses the opportunity to focus its efforts on operational sustainable development success stories’.

In order to clarify the concept, WSSD Bureau Vice Chairs Jan Kära and Diane Quarless issued an explanatory note which provided some general guidelines for Type 2 partnerships, proposing that they should:

- ▶ achieve further implementation of Agenda 21 and Millennium Declaration goals;
- ▶ complement globally agreed Type 1 outcomes and not substitute government commitment;
- ▶ be voluntary in nature and not be subject to negotiation within the PrepCom;
- ▶ be participatory, with ownership shared between partners;
- ▶ be new initiatives, or, in the case of ongoing initiatives, demonstrate added value in the context of the Summit;
- ▶ integrate economic, social and environmental dimensions of sustainable development;
- ▶ be international (global, regional or subregional) in scope and reach;

- ▶ have clear objectives, and set specific targets and timeframes for their achievement; and

- ▶ have a system of accountability, including arrangements for monitoring progress.

It is also suggested that the UN Commission on Sustainable Development could monitor Type 2 initiatives and that further discussions and proposals can be brought forward by all stakeholders at the final WSSD PrepCom in Bali.

The principal dilemma to be addressed in preparation for the Summit is that so little progress has been made in agreeing the framework for action: the draft Johannesburg Programme of Action is largely a tired retread of old rhetoric. If this is to be one of the main elements of a new Global Deal, more clarity is needed on both the big picture (how goals of greater equity and sustainability are served) and the detail (how particular initiatives can be agreed, monitored and maintained).



A. What could a Global Deal accomplish?

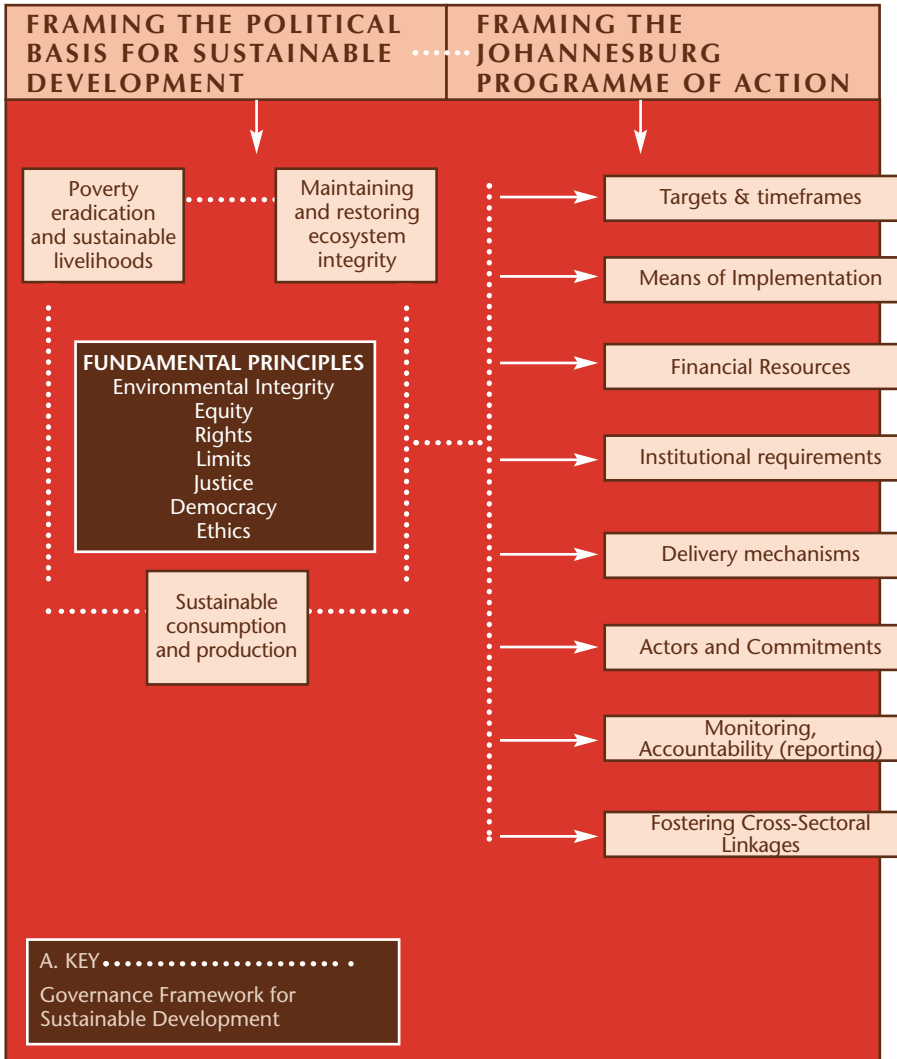
A number of objectives are mentioned in the various documents and communications on the Global Deal, in particular:

- ▶ *Speeding* up implementation of Agenda 21 and the Millennium Development Goals through a clear programme of action with targets and timetables;
- ▶ *Making* progress on the most difficult North-South problems – through significant increases in aid, technology sharing and capacity building; and through finding ways to alter current unsustainable patterns of consumption and production;
- ▶ *Contributing* to the overall goals of the Summit – especially poverty eradication and sustainable consumption and production.

One of the main problems facing all those involved in preparations for WSSD is in understanding how work on a given issue could lead to significant commitments and action through the Summit process. The diagram below provides a conceptual model intended to help in clarifying these questions.

The chart on the next page sets out the three core objectives of sustainable development – any policy option can be assessed according to these criteria. Underpinning these is a strong commitment at the highest level to the fundamental principles of sustainable development – this would provide much of the impetus needed to translate ideas into action. Linking these elements together, and to the detail of the proposed WSSD Programme of Action, is the governance framework within which policy decisions and implementation occur.

Once the principal objectives and the high-level commitment are clear, these can be acted upon through addressing the more specific issues on the right-hand side. This model could equally be applied to initiatives to be developed through some form of partnership as part of the Global Deal.



Model developed by **Richard Sherman** (Globe SA) with **Melanie Steiner** (WWF) and **Tom Bigg** (IIED)



B. Contexts and examples

The partnerships seem to work best when they are based on a common and specific goal, shared risks and benefits, sound information, mutual accountability, transparency in the eyes of the public, and respect between partners for each other's differences. However, despite the examples of successful partnerships, the number of companies and communities engaged in such activities remains small, and there are few examples of partnerships between civil society organisations and businesses in developing countries. (UN Secretary General's Report *Implementing Agenda 21*)

In addition to the concepts presented in Agenda 21 and developed through the CSD, there are numerous examples of other collaborative arrangements intended to foster sustainable development (opposite). There are also a few suggestions emerging of ways in which these approaches could be extended to the proposed WSSD Global Deal.

ESTABLISHING PARTNERSHIPS

Key questions to be addressed in setting up such partnerships include:

- ▶ How can roles and responsibilities of the partners be defined and agreed? How will partners be held accountable to their commitments?
- ▶ What models could be followed at the global level? The World Commission on Dams, the Mining, Minerals and Sustainable Development initiative, the Global Water Partnership and the Global Alliance for Vaccines all have valuable lessons for such partnerships – how can appropriate approaches be identified and agreed?
- ▶ Can we develop partnerships at all levels that incorporate equitable representation from the various stakeholders – women, youth, local government, NGOs, labour, business?



i. Local

The explicit goals and targets set by international donors for poverty reduction are only achievable through effective local governance. Many aspects of poverty need to be addressed, in addition to inadequate incomes. Tackling poor quality and often insecure housing, inadequate infrastructure and services, inadequate legal protection of poorer groups' rights, and 'voicelessness and powerlessness' within political systems and bureaucratic structures are all important.

One approach designed to address these issues in an integrated way is the **Local Agenda 21**: 'The strength of Local Agenda 21 initiatives has been their multi-stakeholder approach to local decision-making, identification of priorities, finding solutions and implementation' (UN Secretary General's Report *Implementing Agenda 21*). In most parts of the world, local agenda 21s exist which show how local government can move towards sustainable development goals in ways which respond to the needs and priorities of local populations and involve local populations in their design, implementation and evaluation. But in most low-and middle-income countries, local governments remain weak and ineffective.

In at least eleven countries, there are federations formed by groups of the urban poor that are helping to change the way that urban poverty is addressed. They seek to demonstrate that urban poor groups are more effective in achieving poverty reduction than governments (local and national) and development agencies. They can also provide governmental and other actors with strong community-based partners.

From Arjun Appadurai, 2001

► *How can WSSD help strengthen local governance, including less formal alliances of the poorest people?*

Corporate-community partnerships (or collaborations) involve a relationship between one or more companies and the community as a whole. The skills and resources the community can collectively bring to the negotiation range from the ability to organise local initiatives to refraining from engaging in activities that undermine the interests of corporations. The important point is that these interests, skills and resources often go unrecognised in conventional market relations, particularly where globally connected corporations are concerned.



The company in turn can provide skills, technologies, resources and access to markets that the community would otherwise be unable to obtain.

However, many 'partnerships' suffer from an imbalance of power, in which the corporate actor holds all the cards and the community lacks the capacity to influence decisions or benefit from collective bargaining. Such partnerships can only be effective when the roles and terms of engagement are clear; when they are both commercially viable and fought for by communities; and when there is sufficient time and space to engage and renegotiate.

Such partnerships do not occur in a vacuum. Without good governance (at local, national and global levels) they can easily breed corruption, dependency and new forms of exploitation. Many of the ingredients for success depend on fair and efficient arbitration, active partnership and representation.

- ▶ *Can WSSD contribute to the development of norms and standards of transparency and accountability which would make these partnerships more equitable?*

ii. National

Much of Agenda 21 addresses national policy-making and implementation, and this remains the principal context for environmental, social and economic policy. In many

countries, National Councils for Sustainable Development or other co-ordinating mechanisms have been established since 1992. A number of these include representation from the private sector, trade unions, NGOs and other sectors. These institutions have had uneven success, and very few countries (if any) can claim that sustainable development has moved to the heart of national decision-making.

A principal target of Agenda 21 was the development of National Sustainable Development Strategies (NSDS), and a target of 2002 was set in 1997. More recent work to establish guidelines for NSDS has stressed that they should be seen as a set of co-ordinated mechanisms and processes to help societies work towards sustainable development – not as 'master plans' that add to the workload of governments and will get increasingly out of date. NSDSs can take different forms, depending on local conditions, but to be effective they need to meet generic characteristics. They should demonstrate broad participation and partnerships; country ownership and commitment; an enabling environment; and a focus on outcomes, means of implementation, and continuous learning and improvement.



- ▶ *How can well-organised private sector involvement in NSDSs be encouraged?*
- ▶ *Could these be appropriate vehicles for realising the objectives of the Global Deal through broad-based, open and transparent processes at the national level?*
- ▶ *What support could be provided to encourage all countries (North and South) to initiate a national strategy which confronts the difficult challenges of sustainable development?*

iii. Regional

A number of governments and others have emphasised the importance of strengthening regional institutions through WSSD. The Republic of Korea's statement at PrepCom II, for example, calls for enhancement of the role of regional development banks and the UN regional commissions 'to meet the growing demand for promoting regional sustainability'. The series of preparatory meetings for WSSD held by UN Economic Commissions in the second half of 2001 presented a range of challenges to be addressed at the regional level. Among the most concrete developments which will require the involvement of a broad range of stakeholders are the New Partnership for Africa's Development (NEPAD) and the European Union's Sustainable Development Strategy:

NEPAD presents African leaders' commitment to address the challenges facing the continent. (see www.nepad.org for more information) The South African Government has described it as 'the delivery model' for WSSD in Africa. The framework for NEPAD identifies 'prospects for creative partnerships between the public and private sectors in agro-industries, tourism, human resource development, and in tackling the challenges of urban renewal and rural development'. There have been some reservations expressed at the 'top-down' way in which NEPAD has been developed, and doubts over its capacity to succeed where previous pan-African initiatives have failed.

The EU Sustainable Development Strategy was released last year, but focused exclusively on sustainability within the member countries ('A European Union Strategy for Sustainable Development' is online at <http://europa.eu.int/comm/environment/eussd/index>). This strategy 'seeks to reconcile the economic, social and environmental needs of present and future generations of EU citizens'. The Commission will review major Community policies to reorient them in favour of sustainable development.

A communication from the European Commission has also been released which addresses the EU's external impacts and obligations, in preparation for WSSD ('Towards a Global Partnership



for Sustainable Development’ is online at http://global.finland.fi/julkaisut/pdf/EU_SDS130202.pdf). At present this lacks detail and endorsement by member states, but it could be an important means by which to address issues of accountability for European companies and citizens, as well as governments, for their impacts on other parts of the world.

- ▶ *Can these regional initiatives (with global reach) provide the rationale and the support for credible, action-oriented multistakeholder initiatives?*
- ▶ *Can countries and regions be made more accountable for their external impacts?*

iv. Global

Discussion of partnerships for WSSD is most contentious at the global level, for a number of reasons. First, the fear that this focus will marginalise inter-governmental decision-making on sustainable development and put in its place ‘coalitions of the willing’ which involve major companies and other organisations but are less accountable to the needs and wishes of the world’s poorest people. Secondly, the fear that global partnerships could favour major multinational companies in the provision of services such as water and energy and serve as a vehicle for market expansion at the expense of existing providers but with no clear long term benefits for the

countries concerned. Thirdly, the fear that the term ‘partnership’ masks a whole range of power imbalances between the actors involved which will not be tackled without strong political leadership and commitment to the principles of transparency, accountability, equality and sustainability. (See for example SDIN, 2002)

The UN Monterrey Conference on Financing for Development provided some substance to these concerns. The US Government and the EU pledged significant increases in Official Development Assistance; however, the EU did not move away from current practice in the tying of aid, placing questionable obligations on recipient countries, while the US took the opportunity to put forward a unilateral ‘compact for development’, which President Bush claimed would lead to ‘greater accountability’: ‘We must tie our aid to political, legal and economic reform, and by insisting on reform we do the work of compassion’, he said. ‘Pouring money into a failed status quo does little to help the poor. Liberty and law and opportunity are the conditions for development.’ Although he uses the term accountability, this seems to go only one way – the US is not interested in accountability to internationally negotiated standards and commitments on sustainable development, as has been clear in the WSSD process.



By contrast, the UK Chancellor of the Exchequer Gordon Brown has set out what he calls the building blocks of a 'new global deal':

- ▶ Improving the terms on which the poorest countries participate in the global economy and actively increasing their capacity to do so;
 - ▶ Adoption by business internationally of high corporate standards of engagement as reliable and consistent partners in the development process;
 - ▶ The swift adoption of an improved trade regime enabling developing country participation on fair terms in the world economy;
 - ▶ A substantial transfer of additional resources from the richest to the poorest countries in the form of investment for development – not aid to compensate the poor for their poverty but investment that builds capacity.
- ▶ *Does the 'new global deal' reflect the priorities of Southern countries – and can it deliver real benefit to the world's poorest people?*
- ▶ *Can the Johannesburg Summit place sustainable development at the heart of these discussions or are they principally about reform of the global economy?*

C. How to move forward?

A number of critical questions underpin these debates:

- ▶ *Can globalisation be made more sustainable and equitable? And where is the evidence that this is more than wishful thinking?*

Much of the current thinking, from the EU and US governments in particular, presents globalisation as an unavoidable reality and argues that modifications to the dominant economic and social model can deliver sustainability. It is time to start basing these assertions on evidence-based research – and altering them if they don't add up.

- ▶ *Can current unsustainable production and consumption patterns be changed? And what can the Summit do to start this shift?*

Preparations for WSSD are focusing predominantly on the development needs of the South. There is little attention to the impacts of Northern societies on the world as a whole, despite attention to these issues in Agenda 21 and at annual sessions of the UN Commission on Sustainable Development since 1997. This is surely one of the areas which the 'partnerships' approach is most suited to address – but there has been little attention on it to date.



- ▶ *Can real progress be made to eradicate poverty and achieve the other Millennium Development Targets? And what form of new agreements or initiatives at the global level would help?*

The Monterrey Conference signalled new willingness by donor governments to increase aid provision, and brought together discussions on a range of domestic governance challenges, including the problems of corruption. What it did not do was to present sustainable development as the basis for what the UN General Assembly has termed ‘the global commitment to a North/South partnership and a higher level of international solidarity to the accelerated implementation of Agenda 21 and the promotion of sustainable development’. (UNGA, 2000) But in the final analysis, the principal route to poverty eradication has to be to enable the poor themselves to be supported to identify, plan and implement their own solutions to the lack of market opportunities, environmental degradation and exclusion that they face.

- ▶ *What commitments, targets and timetables could be endorsed by Heads of Government which would place sustainable development more centrally in policy debates at every level and help in taking on the more difficult challenges of sustainability?*

The WSSD text negotiated on ‘Sustainable Development Governance’

proposes that the UN General Assembly should ‘promote sustainable development as an overarching framework for United Nations development activities’ (available online at: www.johannesburgsummit.org/html/documents/prepcom3docs/governance30.3.rev1.doc). A similar challenge should be put to national governments, to place sustainable development at the heart of national policy and practice.

- ▶ *What is the future for Multistakeholder Dialogues and collaboration under UN auspices after WSSD?*

The draft text on governance also proposes that the Commission on Sustainable Development ‘should give more emphasis on actions which enable implementation at all levels including promoting and facilitating partnerships involving governments, international organisations and relevant stakeholders’. A crucial element here should be to ensure effective and transparent monitoring and accountability of all actors. The CSD could facilitate this at the global level, and support similar openness at regional and national levels.

At the end of WSSD PrepCom III the South African Government released a ‘non paper’ setting out ‘A Proposed Approach to Action-Oriented, Time-Bound Outcomes for the WSSD’ which was intended to provoke consideration of the practical steps that should be taken to achieve a successful Summit



and the underlying principles and objectives which should be acknowledged and supported: 'When the progress from Johannesburg is reviewed in 2012, it will be critical to demonstrate that the people who live in poverty currently have significantly improved quality of life and economic opportunities, and that the next generation will live in a safer and more healthy environment'. (South African Government, 2002) This is the critical yardstick against which the Johannesburg Summit outcomes will have to be measured.

Tom Bigg is the WSSD co-ordinator at the International Institute for Environment and Development, UK.

References

Appadurai, Arjun 'Deep democracy: urban governmentality and the horizon of politics' in *Environment and Urbanization* October 2001, IIED London

Brown, Gordon UK Chancellor of the Exchequer 'A New Global Deal' speech to the Federal Reserve Bank, New York 16 November 2001

South African Government Non Paper 'A Proposed Approach to Action-Oriented, Time-Bound Outcomes for the WSSD', 3 April 2002.

Sustainable Development Issues Network (SDIN) Paper No.1 'Taking Issue: Questioning Partnerships' March 2002. Available online at www.sdissues.net/SDIN/docs/TakingIssue-No1.pdf

UN Secretary General *Implementing Agenda 21* Report to the UN Commission on Sustainable Development, December 2001. Available online at www.johannesburgsummit.org/html/documents/no170793sgreport.pdf

WSSD Bureau 'Further Guidance for Partnerships/ Initiatives ('type 2 outcomes') to be elaborated by interested parties in preparation for the World Summit on Sustainable Development' Explanatory note by the Vice-Chairs Jan Kara and Diane Quarless. Available online at www.johannesburgsummit.org/html/documents/prepcom3docs/summary_partnershipsannex050402

SECTION { B }

CHALLENGES FOR AFRICA



The World Summit for Sustainable Development ... affords us the opportunity to state our case, what we are doing, and what we think ought to be done in conjunction with our development partners and other countries of the world. Only in these ways shall we be able to say that we are being proactive implementers of our own sustained development, that truly we are making steady advances in the realisation of an African renaissance.

If we cannot unite through an initiative that can permanently reshape this continent and bring about sustained improvement in the lives of our people, then we would have lost an opportunity that will not arise for some time.

We have generated so much excitement, enthusiasm, and commitment for NEPAD, for Africa, for world development that we dare not fail in our tasks.



ADDRESS BY SOUTH AFRICAN
PRESIDENT THABO MBEKI
AT THE WORK-IN-PROGRESS REVIEW
WORKSHOP OF THE NEW PARTNERSHIP
FOR AFRICA'S DEVELOPMENT (NEPAD)
JOHANNESBURG, 24 JANUARY 2002



AFRICA'S NEW AGENDA:



ADDING UP EXPERIENCE FOR POVERTY REDUCTION

by Diana Mitlin, IIED



{7}

Development assistance agency plans for Africa are grand and promise much – based around donor money and market growth with the active support of national and local government. Partnership is what is offered to the poor. WSSD documents ask for more resources, more commitment from governments and more requests for stakeholder involvement. But what is the experience on the ground? Do such strategies offer an answer? And is the answer likely to offer poverty reduction at an appropriate scale? For Africa's large and rapidly growing urban population, this misses the central issue – that it is the urban poor in Africa that are doing more to reduce their poverty than external agencies (and governments in most countries). Examples suggest that international agencies will be more successful at reducing urban poverty if they support urban poor groups to identify, plan and implement their solutions.



Africa is an acknowledged priority for international assistance and requiring exceptional leadership. It is widely recognised that both regionally and internationally the world is failing to address Africa's development needs. Between 1987-98, the number of people in sub-Saharan Africa living on less than US\$1 a day increased by 75 million people. (World Bank, 2001) What might be an appropriate response to such a development need?



This chapter takes a focused perspective and overviews the experience of the urban poor in southern Africa during the last decade.¹ Although Africa is often perceived as a rural continent, two fifths of its population now live in urban areas and Africa's urban population is now larger than that in North America.

In a globalising world, markets are increasingly important in controlling access to choices and opportunities. The urban poor are often considered to be more dependent on markets for access to housing or land for housing (whether rented, squatted or bought), basic services, employment and commodities than is the case in rural areas. What then do development agencies and market forces offer to the urban poor? The argument cannot pretend to be comprehensive in its analysis – that would be an immense task. Rather it draws from particular experience to identify and discuss the challenges ahead.

Making opportunity: Political uncertainty, increasing economic recession, and rapidly rising prices are commonplace in many African cities. Despite these difficulties, the urban poor have to secure their livelihoods, generally with no national safety nets or international assistance to fall back on. Examples of successful strategies can be found in every city (although their scope is

limited). In Harare, for example, just one year ago, 20 market traders in the central low-income areas of Mbare doubled their stock in an eight-week period through a concerted programme of borrowing from community savings. *Kupfuma Hakuna Nharo Group Project (It's Not a Struggle to Be Rich)* is a group within Tatambura housing saving scheme in Mbare, adjacent to the central wholesale and retail market in Harare. Through daily saving among its 918 members, Tatambura has managed to save more than \$6,000. The group decided that the revolving fund for income generation should be capitalised with \$800 of these funds. The savings scheme agreed that members who form smaller groups could borrow from this fund at an interest rate of 4 per cent per month with a two-month loan period. The first group of 20 members was given a loan of \$800 for informal trading in January 2001. *Kupfuma Hakuna Nharo Group* (as the first group called itself) managed to pay back their loan within the agreed time. In addition to repaying the loan with interest, the first group secured a total profit of \$100. Each group member received an equal share of this profit. Many group members ploughed the proceeds back into their own businesses. (SELAVIP, 2001)

¹ This paper draws on what she has learnt from working with many urban poverty reduction programmes in Africa, Latin America and Asia.



These 20 families have an average income for their locality, one of the poorer low-income settlements of Harare. They have benefited little if at all from development assistance or from national government investments. Their livelihoods are precarious and market dependent. Their homes are rented, either a small room in a medium rise block with shared toilets or in a shack built in someone else's backyard.

The Development Deficit: Development rhetoric offers four options to *Kupfuma Hakuna Nharo Group* and other members of the urban poor. It offers development assistance. It offers market growth, with the increasing "globalisation" characterised not solely but particularly by the extension of market systems and processes over widening spatial areas and into new sectors using information technology. It offers government action with promises of more democratic, accountable and transparent governance linked through privatisation to what are meant to be increasingly efficient public services. And in recent years it has offered partnership, the coming together of different parties, sectors and/or groups to find win:win situations that offer market benefits, better governance and poverty reduction.

But policy makers, professionals and practitioners should recognise that none of these ideas are new. Even in the case of partnership (perhaps the newest solution being offered) we have at least a decade of experience. With a historical analysis, the development community have to acknowledge failure.² To take water supply, government estimates in the recent Global Water Supply and Sanitation Assessment 2000 suggest that there are 210 million people in urban Africa that need access to water supply services if international coverage targets for 2015 are to be met. Even these figures are likely to be substantial under-estimates – based as they are on 85 per cent coverage in urban areas. A close examination of these government estimates shows that most greatly overstate the proportion of urban dwellers with adequate water and sanitation while many fail to take account of the lack of provision in informal settlements. (Hardoy, Mitlin and Satterthwaite, 2001: 65)

The vast majority of urban dwellers in Africa accept that they have to provide for themselves, generally with only limited market opportunities, and with only the very partial support of government and international assistance.

² As one DFID consultant explained when talking about her local context to the audience at a social development conference in London, December 2001: "...we have just now been able to put together a coherent story for how poverty has developed in the last few years, we have no idea how it will continue to develop, we have even less idea what to do about it."



As the story of the traders in Mbare demonstrates, the poor can find a space in the market. However, many find it only with difficulties. The group in Mbare accept that they have to join together to protect themselves. The goods they offer have not changed for many years: vegetables to families and other smaller traders, plastics used for packaging and roofing in the winter rain,³ clay soil (bought by pregnant women for its minerals) and rope. Clearly their livelihood choices are changing as a result of structural changes in the world economy and the political strategies of national government but just how they are changing and how they will continue to change is not clear. Like over 50 per cent of other Africans, they manage to secure an income that on current informal but widely used exchange rates falls well below a dollar a day. Their recent efforts have made a significant improvement in their capacity to pay for housing, food and education. What is notable is that the group have found success despite major economic recession, despite a lack of outside capital, and with no interest from national government. *Like so many others, they have created development options themselves.* These development options are real but limited. The group themselves recognise that the next

challenge is to find ways of ensuring that even the very poorest members of their groups can benefit; a far more difficult goal to achieve. (SELAVIP, 2001)

Is “trickle down” all that is on offer? The development community is promoting market growth for Africa. As recognised by the New Partnership for Africa’s Development, for many decades international political and economic processes have impoverished Africa. The Partnership statement goes on to argue that “Whilst globalisation has increased the cost of Africa’s ability to compete, we hold that the advantages of an effectively managed integration present the best prospects for future economic prosperity and poverty reduction.” (NEPAD, Clause 28) Whilst a lack of credible alternative development options may mean that integration into the global economy offers the only possible future for Africa’s economic development, is it also credible to argue that it is a solution for poverty reduction? As later recognised in the Partnership, there is nothing inherent in the process that reduces poverty and inequality. (NEPAD Clause 40) Indeed, the reverse may be true.

Market growth is likely to have differential benefits: History shows us that the poor in Africa and elsewhere may not be the first to benefit from rapid market expansion. Consider Cambodia,

³ Many women make plastic bags for the goods purchased in the market. They take fine sheet plastic, cut it into rectangles and seal the edges by placing them against a tin in which a paraffin fire is burning.



one of Asia's most recently growing economies. Phnom Penh has become a stopping off point in the tourist circuit as the political situation in Cambodia has stabilised. Construction activities in part related to the authorities' interest in beautifying the city have encouraged an increasing commercialised land market with rising prices. In the centre of the city there was a thriving community in Bassac, situated on low-lying land that had been available for settlement when people began to return to the city just over 20 years ago. For the last year, the shacks have been fire bombed. "Most people believe that the fires were aimed at getting squatters off the land..." Financial Times. (8th January 2002) Many of the 3,000 families have now left at the suggestion of the city council. They are being moved 20 kilometres away to land that is un-serviced, with few income opportunities and where the cost of daily transport to the city is more than 120 per cent of a labourer's wage. These experiences are far from unique (see, for example, *Environment and Urbanization*, 1994 that illustrates other examples of eviction). In August 2001, the Economist (4th August 2001, page 50) described attempts to move long-term residents from an area in Luanda under the pretext of un-safe and precarious conditions whilst at the same time plans were afoot to use the same area for high-income housing with the benefit of a sea view.

There is much to suggest that eviction is a common experience for the urban poor squatters in cities with a growing economy. Eviction may not be the experience of all. But these examples highlight that the social and political processes that often accompany rapid economic growth frequently increase the vulnerability of the poor, even if they offer higher incomes for some. In practice, it has been very difficult for government and civil society to offer adequate safeguards. These difficulties are linked to a lack of resources and to the length of time that is required for the development of institutions that are able to play this role effectively. Moreover, there is perhaps too little recognition in development institutions that poverty does not disappear with growth. The numbers of those in need may be reduced in the North, but the problems of social exclusion, marginalisation and low-incomes remain.

Environmental standards may be lacking: In addition to the differential impacts of market growth, environmental degradation and associated risks may be commonplace. In a bitter fight for the limited inward foreign investment for Africa, the Namibian government recently secured the multimillion-rand Ramatex textile factory for Windhoek against its competitor in the Eastern Cape (South Africa). It now appears that environmental assessments were not completed despite current



policy in Namibia. (Business Day 31st December 2001) The factory is being constructed adjacent to a low-income residential area to the north east of the city. It is known that there are environmental issues related to the siting of textile factories with recognised problems for the disposal of wastewater.

Six hundred people are estimated to be coming to Windhoek each month in order to take advantage of what are considered to be improved development prospects. They are anxious to secure jobs. The accommodation they can afford lacks even the most basic services, water and sanitation. In a policy that is considered by the urban poor to be a significant step forward, the municipality has agreed that households can secure legal land tenure even if they cannot afford full services.

This is not an uncaring or neglectful municipality. It is one balancing the need to provide a safe environment for its citizens with the need to secure inward investments that enables employment and increasing incomes. These are real contradictions that have to be resolved for democratic development to move forward. In a policy that is considered by the urban poor to be a significant step forward, the municipality have agreed that households can secure legal land tenure even if they cannot afford full services. (Gold and Mueller with Mitlin, 2001)

City governance: Recognising that markets can offer benefits to economic

growth but may do little for poverty reduction and environmental protection, what might governments offer? During the last 30 years, development fashions have promoted, undermined and reconfigured the state. Throughout these fashions, the urban poor in Southern towns and cities have continued to provide themselves with services, often with the partial support of officials who faced considerable responsibilities with limited resources. Despite present interest in increasing development assistance, providing investment finance and reducing the debt burden, it is likely to remain that way.

One recent report on Zambia that considered the state of local government and the status of the draft decentralisation policy was pessimistic: "Zambia currently has a dual system of devolved, elected local governments alongside de-concentrated sector Ministries reporting to their parent Ministries in Lusaka. But the latter have long had far more power than local governments, with unhappy consequences. Urban and district councils currently receive an average of between 1 per cent and 3 per cent of their total funds from central Government. Even these utterly inadequate funds are often late in arriving. Councils face crushing burdens of debt or arrears." (Crook and Manor, 2001)

Whilst not all cities in the region face such a difficult situation, many have few resources, multiple demands and little



effective autonomy. In such a situation, there is little that local government can provide. Commitments from central government mean little with such a lack of a capacity on the ground.

Nevertheless, in Zambia itself, two recent development initiatives, one international and one local, have both met with a rapid response from local communities of the urban poor. In Ndola and Lusaka, a DFID funded programme (the City Community Challenge Fund) implemented by Care-Zambia is supporting 32 different community initiatives in the two cities, each of which is supported by considerable local resources from residents who will benefit and the local authorities. In Livingstone, community groups from Zimbabwe are supporting the organisation of savings schemes with low-income settlements. In 2001, 15 savings schemes were opened by 330 residents. Later in the year, these groups themselves spawned another 14 groups with 295 members.

Citizens and the city: Castells (1983) (drawing on experiences in Latin America, North America and Europe) argues that urban social movements have played a critical role in creating development options for the poor. Their struggles have been concerned with the nature of economic development, often related to the provision of housing and basic services but as importantly with grassroots democracy and participatory

governance. The urban poor have been similarly active in Africa. In Nairobi, in the early 1990s, citizen groups worked to support the Nairobi City Convention with a mayor eager to back up such initiatives. In Harare, the City Forum is just one recent initiative to co-ordinate the efforts of citizen groups. South Africa offers perhaps the richest example of them all in the township residents who made the country ungovernable, forcing an end to apartheid after decades in which international sanctions had been ineffectual.

From citizenship to partnership:

In these and other choices, the people are indicating that they want something else. Across southern Africa there is growing experience of partnership. The contrasting experiences of Namibia and Zimbabwe provide examples of what is achievable in hugely differing circumstance through using existing opportunities. In Windhoek, a new land policy offers a huge step forward for the urban poor. After a consultative process, organised lobbying of the urban poor themselves through a grassroots network (the Shack Dwellers Federation of Namibia) and supportive professional groups have resulted in a recognition that:

- ▶ minimal levels of services are acceptable with communities being able to upgrade as and when they can afford it;
- ▶ grassroots organised schemes are encouraged with settle on land with only bulk services through preferential



pricing policies and the option to subdivide into smaller plots than formally permitted by building regulations; and

- ▶ incremental housing is acceptable with the understanding that some improvement is better than no improvement and that shacks may be all that can be afforded as households repay land and services prior to housing improvements.

Despite the hugely different situation in Zimbabwe, the crisis of recent years has produced its own opportunities. Local government has been interested in exploring new alternative forms of urban development with increasing scepticism about the regulations of the central state. Local councillors both feel and want to be accountable for delivery of services to their electorate. Whilst funds are scarce, the new openness is key. With honest and open negotiations between equals workable solutions can be found that are real improvements on existing situations – despite the fact that much remains to be done.

But partnership is often not easy. As one woman complained in KwaZulu Natal (South Africa): “I thought that the government wanted to develop me but all they want to do is develop roads?” She had experienced state financed, privately contracted infrastructure upgrading in her settlement. The South African government housing subsidy programme has now financed

the development of 1 million improved housing units. Experience has shown that many of these units have been very small, sometimes with sub-standard construction quality and on poorly located sites. (Baumann and Mitlin, 2002) In theory there is meant to be local consultation, resident participation and potentially partnership. In practice it is difficult to achieve. The government specifically developed the People’s Housing Process to offer more people-friendly support but less than 3 per cent of subsidies have been allocated through the People’s Housing Process. Faced with limited success, the Housing Department is currently reviewing the subsidy programme to see how it can be made more effective.

During the same period, a network of grassroots organisations, the South African Homeless People’s Federation has created a parallel process to the state housing subsidy system. Using a revolving loan fund (the uTshani Fund) to bridge finance state subsidies and top up housing loans, their members have been able to add value to the subsidy through group building. Over 10,000 members have built new homes and over 15,000 have been able to access land. In the last six years, the revolving loan fund has created R500 million in assets, all held by the poorest of South Africa’s urban dwellers. These developments have also been in partnership with local authorities and provincial



governments, many of which have supported these developments by providing access to land, adjusting to regulations and standards in addition to providing subsidy finance. But traditional processes have been reversed with the state participating in the development process of the poor, rather than the other way around.

Learning by experience: The World Summit on Sustainable Development is an opportunity to learn from experience. Very serious attempts by very committed individuals and organisations have provided very little in the way of new development options for the urban poor in Africa. For the most part, the urban poor are dependent on their own resources; their challenge is to make market opportunities, state agencies and development assistance programmes work for them. For too long, it has been too hard for them to do that.

Part of the problem has undoubtedly been that: “progress has been constrained by old, new and emerging issues. These include diminishing global and domestic resources to fund sustainable development, fragmentation in the implementation of Agenda 21, and a lack of political commitment to the goals of sustainable development.” (noted in the Non-paper from the South African government issued at WSSD PrepCom II). But it is difficult to believe that the solution is more international agreements pleading for more resources, more

promises from governments and more requests for stakeholder involvement. The lessons that emerge from Africa are that the poor themselves are doing more to reduce their poverty than any external agency has ever been able to offer. The lessons that emerge from the North are that economic growth does not remove the problems of poverty, marginalisation, discrimination and social exclusion. Faced with these truths, maybe it is time for the poor themselves to be supported to identify, plan and implement their own solutions to the lack of market opportunities, environmental degradation and exclusion that they face. Is the 21st century going to be when the poor are supported by those richer and more powerful than themselves to address their own poverty, in ways that make sense to them?

Surely we have learnt that there is no single path to development, nor is there a single path to poverty reduction. Can we develop a global economic model that offers opportunities to all? The honest answer is that we do not know, but we have reason to believe that globalisation is not it. WSSD in Johannesburg will make a new start if the international community recognises its failures. Aid can contribute to poverty reduction but only if it is used in ways that make sense to the livelihood strategies and collective processes of the poor themselves. Economic growth may be helpful but the benefits may rarely



accrue to the poor. Governments may be committed to action but resources may be too few for the solutions that are proposed. What can we learn from *Kupfuma Hakuna Nharo Group Project (It's Not a Struggle to Be Rich)* and their success in augmenting their incomes and doubling their capital despite difficult economic circumstances? The group benefited from small amounts of aid monies, placed in a local institution (Dialogue on Shelter for the Homeless in Zimbabwe Trust) by a German NGO (Misereor). That aid money helped members visit other communities to learn organising skills to strengthen their own collective activities and to build confidence through solidarity. With confidence and organisation, the group found their own strategy to address their needs.

What next? Beyond recognising the need to support diversity in approaches to development and offering donor support for community learning and capacity building, what more can the professional development world and the richer countries of the North offer? First, we should recognise that we have to face the problems of insecurity, poverty and inequality together. Small measures, such as World Bank loans being repayable in local currency, might more accurately reflect such inter-dependency. The countries of the North are often as responsible as the countries of the South for financial instability. Only through the costs being shared can appropriate

policies be developed. Second, we need to recognise that the problems of poverty and inequality are not Southern problems but exist in the North where increasing material wealth has not removed the problem of social exclusion. The North, as well as the South, needs to invest in finding new solutions to problems it has failed to solve. Third, we need to find new ways to support organisations of the poor and build capacity for learning and action within those organisations. Too much development assistance is spent on institutions that have failed to address poverty and that appear to lack the structural conditions necessary effectively to address the problem. The technical answers have been tried. What is required is far more profound structural change to develop new solutions to long-existing problems. An essential component of achieving such change is likely to be the involvement of those who are suffering from the consequences of globalisation. Agencies might usefully invest in supporting the poor to develop and implement their own solutions to the problems that they face.



Diana Mitlin is an economist working in the Human Settlements Programme at the International Institute for Environment and Development, UK.

References

- Baumann, Ted** and **Diana Mitlin**. 2002. 'The South African Homeless Peoples' Federation: Investing In The Poor'. Paper presented to the Community Funds seminar (2002) International Institute for Environment and Development and Department for International Development and the Finance and Development Conference (2002), University of Manchester
- Castells, Manuel**. 1983. *The City and the Grassroots*. London: Edward Arnold
- Crook R** and **Manor J**, 2001. *Local Governance and Decentralisation in Zambia*. Report to SNV, the Lusaka Donor Reference Group and the Zambian Ministry of Local Government and Housing. June 2001
- Hardoy, Jorge, Diana Mitlin** and **David Satterthwaite**. 2001. *Environmental Problems in Third World Cities*. London: Earthscan Publications Ltd.
- '**New Partnership for Africa's Development**', web access October 2001.
www.nepad.org/Documents/AA0010101.pdf
- SELAVIP**. 'Income Generation in Zimbabwe', SELAVIP Newsletter, October 2001, *Journal of Low-Income Housing in Asia and the World*. Pp. 125-130.
- South African Government Non-Paper** 'From Rio to Johannesburg: A Global Deal for the Further Implementation Of Agenda 21 Towards Sustainable Development' issued at WSSD PrepCom II, February 2002.
- World Bank**, 2001, *World Development Report: Attacking Poverty*. Oxford: Oxford University Press
- World Health Organisation**, web access. 'Global Water Supply and Sanitation Assessment 2000 Report'.
www.who.int/water_sanitation_health/Global_assessment

DEVELOPMENT FIRST



THE PRE-REQUISITE FOR A SUSTAINABLE WORLD

by Jean Philippe Thomas & Youba Sokona, ENDA-TM



{8}

*Mankind will gain nothing from going to
the moon if he manages to lose the earth
Il ne sert à rien à l'homme de gagner
la lune s'il vient à perdre la terre*

FRANÇOIS MAURIAC



Developing countries recorded varying economic results during the last two decades (1980 – 2000). Latin American and South Asian countries showed increases in their per capita Gross National Product of 70 per cent and 109 per cent respectively whereas this economic indicator decreased in Sub-Saharan African countries by 25 per cent. (World Bank, 2001) All of the 28 countries at the bottom end of the HDI (Human Development Index) rating and 40 out of the 50 countries in lowest end of the low Human Development rating, are from Sub Saharan Africa. (UNDP, 2001)

Such observations argue for a reconsideration of the way in which development in the Southern hemisphere, and in Africa in particular, is being conceived. Poverty, a key concern of developing countries, is being flagged at almost every International Conference as a hindrance to sustainable development. Indeed, the revival of current debates focusing primarily on poverty alleviation or its merchandising (for example 'our dream is a world free of poverty' World Bank or 'building partnership for progress' OECD), on development finance the contents of which appear rather 'classical' or 'neo-liberal', all underscores the need for a new world order, and for a redefinition of the place and role of International Financing Institutions. In short, these debates, to cite only a few, suffer from the burden of a dominant paradigm, which could spell serious consequences for the developing countries.



A. Limited Ownership by Developing Countries of Decisions that Directly Concern Them

Development priorities are generally determined by national authorities, who can (to varying degrees and depending on the country in question) encourage the participation of the various stakeholders. The Rio Summit and the related instruments served to reinforce this situation. Indeed, each of the environmental conventions calls for the generation of national reports, without taking into consideration pre-existing plans: National Action Plans for Desertification, National Communications for Climate Change, Biodiversity National Strategies, and so on. By the same token, Agenda 21 has led to the development of National Strategies for Sustainable Development. Based on varying and unmonitored degrees of consultation at the national level, these policy orientated documents often have very little impact on ongoing or future national activities. There are no mechanisms or motivations to peg them to the national development plans and hence they remain isolated and unused.

In reality, effective implementation through the translation of these policy orientations into concrete economic and social policy (manifested in allocations in the national budget), is controlled by the International Financing Institutions. (IMF and The World Bank

This quickly brings to fore elements of the various structural adjustment plans and related conditionalities to which these governments have been subjected. Hence political decisions on the implementation of relevant development plans are externalised: the completion of financing and funding arrangements are decided 'elsewhere'. This disconnect is often the root cause of indebtedness. The problem is however more complex and larger: where important projects are concerned, one finds that not only are they decided elsewhere, but in addition both the identification and preparation of the project are carried out by foreign experts appointed by the International Financing Institutions.

Any sound sustainable development effort, at the global level, cannot afford to allow billions of the world's poor to lose control over policy orientations involving their own development. This is contrary to the very objectives of Agenda 21.

B. Restoring Developing Country Governments' Ownership of Decision Making Processes by Reconsidering the Roles of the IFIs

Perhaps one should borrow a leaf out the Meltzer Report, which recommends that the International Financing Institutions (IFIs), should return to their



original role – that of a global Development Agency for the World Bank and other Regional Banks. (Meltzer, 2001) As such they should not provide any capital, but technical assistance and public goods, thus creating the right conditions for attracting increased private capital flows. As for the IMF, it should concentrate on its role as purveyor of liquidity in the short term and cease its long term funding approach.

Other strategies, which are fully adapted to the needs of the developing countries, should also be explored. The Johannesburg Summit could be used to establish the basis for this debate. Two complementary strategies could also be added: one involves the creation of additional Regional Financing Institutions, similar to the one proposed by Japan in 1997 with the Creation of the Asian Monetary Fund. Such regional financing institutions could be grouped into networks, each run by a global co-ordinating mechanism, in which responsibilities are shared amongst the industrialised and developing countries in a more just and equitable manner. This would confer a certain legitimacy on decisions taken: the proposed financing institutions would not be under the influence of the foreign policies of the more powerful nations, as is actually the case with the IMF and the World Bank. Regionalisation remains a dynamic factor in economic globalisation and the IFIs have to be mindful of this fact if they

want to improve their efficiency and do so in a just and equitable way.

C. Combining Bottom-Up Solutions With Political Voluntarism

The failure to achieve a meaningful consensus at the Monterrey Conference on Financing for Development (March 2002) and the lack of any real commitment on the part of the industrial countries during this meeting, created doubts about what could be achieved during the upcoming WSSD. Many are already questioning the usefulness of the Johannesburg Summit, particularly given its non-committal nature. Within the development finance context one is confronted with two realities:

1. All current proposals on development finance (Including those proposed at Monterrey), place the main priority on increased mobilisation of domestic financial resources. Confronted with the objective of reducing poverty, very ambitious estimates were formulated: for example, the UN Economic Commission for Africa estimated that in sub-Saharan Africa a 40 per cent rate of investment (from current 17.4 per cent) is required to reduce poverty levels by 50 per cent by 2015. Over an extended period (till 2025) the proposed income tax rate should increase from 13.5 per cent (in 2000) up to 26.5 per cent.



(OECD model SAH /D.97, 462) In order to realise these ambitious challenges, African economies will have to mobilise ‘popular’ initiatives or micro-credits for investment in production, mutual banks, and so on. Hence it is with the development of grassroots level activities that these challenges could be realised.

2. ODA cannot by itself constitute a viable mechanism for development finance, unless it concentrates its efforts on investments which improve the economic, social and institutional fabric of the society, making it more conducive to domestic and foreign investments. In other words, ODA has to generate a multiplier effect on investments, by improving the business climate which influences the final decision to invest. This is the rationale of the New Partnership for Africa’s Development (NEPAD), with its the objective being to ‘bridge the infrastructure gap’. To achieve this goal however requires real political will.

D. Involving Civil Society in a New Partnership for Africa’s Development (NEPAD)

NEPAD¹, a marriage between OMEGA² and the Millennium Action Plan by

South African President Thabo Mbeki, is ‘a pledge by African leaders, based on a common vision and a firm and shared conviction, that they have a pressing duty to eradicate poverty and place their countries, both individually and collectively, on a path of sustainable growth and development; and at the same time participate actively in the world economy and body politic’. (NEPAD para.1, 2001)

The predominance given to ‘massive investments’, with their multiplier effect on direct production, is in perfect harmony with current proposals advanced by the international community, in favour of intensification of investments in Africa, while taking into account the risks associated with desertification, climate change (now recognised by the International Scientific Community), decreases in biodiversity, and so on.

Bringing together all the various environmental pre-occupations (notably the different Multilateral Environmental Agreements ratified by African Governments) under just one African Development Plan, will be in harmony with the principal objective of ‘sustainability’, which is a recurrent theme in every development consideration.

However, given the present multiplication of environmental agreements, priorities have to be kept within the

¹ ‘The New Partnership for Africa Development (NEPAD)’, Abuja, Nigeria, October 2001, is being put forward by the Presidents of five countries: Algeria, Egypt, Nigeria, Senegal and South Africa.

² The Omega Plan was proposed in 2000 by Abdoulaye Wade, President of Senegal, alongside the New African Initiative of President Thabo Mbeki of South Africa



right perspective, and confined to the objectives of development: *Development First*. No one can contest this. The main challenge now is to incorporate these agreements into the development plans and strategies, or better still, to make them the mobilising factors or catalysts of sustainable development. In other words, these agreements should catalyse the development of long term structural action : upstream actions on future emissions trend, for example, through placing the emphasis, from now on, on low carbon emitting infrastructures, whether in the field of construction, energy, transportation or urbanisation. (Dessus, Thomas and Tillerson, 1999)

Although a development-first oriented partnership has received the blessings of the industrialised countries (presentation at the G8 summit in Genoa, 2001; another at Davos-New York, 2002) it is receiving its most vehement criticism from the African civil society. Indeed the formation of partnerships for sustainable development cannot be based on the conventional policy-level North-South relations. One cannot help but note that while NEPAD has been hailed as an African brain-child, there may have been errors during the process of consolidating support. This is highlighted in the policy statement made by delegates representing over 10,000 organisations from the civil society assembled in Algiers in March 2002: 'We appreciate

the initiative of NEPAD; an initiative coming from Africa, for Africa. But we draw attention to the fact that NEPAD did not emerge out of a process of consultation that involved all aspects of Civil Society'. (Algiers South Summit, 2002)

E. Strengthening the Developing Countries' Positions in International Negotiations: Premise for Better World Order

As if the lack of consensus at Monterrey was not enough, the World Trade Organisation (WTO) meeting in Doha also ended with a vague and ambiguous consensus. (ICTSD / ENDA, 2002) In spite of this, and without going into the details of negotiations at Doha, the ACP countries (Africa, the Caribbean and Pacific), had to settle for a derogated ACP-EU partnership agreement. Henceforth their salvation lies in pooling their combined weight as a pressure group within the World Trade Organisation and exerting real influence over the establishment of 'Multilateral regulations'. This co-operative approach among developing countries in order to strengthen their bargaining position is unfortunately a rare and isolated occurrence. In many other cases, for example climate change, despite being faced with issues affecting their very survival and where their collective decision could positively alter the outcome, the position of developing



countries is infinitely indecisive. (Hourcade and Le Pasant, 2002)

Confronted with the need for global regulations on trade and development issues, developing countries will have to use the platform of these international negotiations to assert their positions, which argue for a far greater consideration of their developmental needs.

F. 'Development First' as the Only Response to the Vulnerability of Developing Countries

'Development First' is first and foremost an in depth analysis of the causes (rather than the consequences), of the inherent vulnerability which characterises developing countries and which is manifested in acute poverty.

But why are developing countries so vulnerable?

The concept of vulnerability has been introduced or re-introduced into all the Rio Conventions: the effects of desertification, global warming, reduction of biodiversity, and so on. This perception of vulnerability encompasses a whole lot of action plans or national policies, the majority of which compound the very essence of the vulnerability of the poorest classes of society – that is, their economic and social vulnerability. It is time to change this approach starting with the micro-economic and social (household) analysis, as proposed by

Amartya Sen, and what he calls 'Entitlements'. (See Ribot, Magalhaes and Panagides, 1996) This implies a shift in the way in which the most elementary needs could be satisfied through production, trade or any other legitimate means, such as the commitments of the family system, reciprocity or solidarity. (Drèze and Sen, 1989) Accumulated household wealth and heritage include productive investments, stocks, liquidities and other economic and social assets. Any rupture or breakage in the socio-economic chain results in a crisis situation, manifested by famine or progressive poverty. Vulnerability therefore results from a whole series of factors, among which the impacts of natural phenomena such as desertification and climate change are only a part and not the unique cause.

The key concerns should hence be endogenous development, the impetus for which is derived from a combination of dynamic forces – social, productive and commercial. This leaves the individual countries and the international community with the role of regulating activities which elude the endogenous forces (negative externalities). At the regional and global levels, it will involve taking charge of common public goods, which for the African countries will (according to the findings of L. Cook and J. Sachs, 2001), include: the environment, public health, market regulatory and stabilisation measures, trans-



border network co-ordination, telecommunications, electricity networks, agricultural research and extension services, and the application of existing laws.

From the preceding discussions, it would appear that the only outstanding issue is financing of public goods – that is, taking responsibility and accounting for their costs through a new mechanism of resource distribution at global level. A transformation of ODA into resource flows is thus imperative, both for industrialised countries as well as for the developing nations, in order to regulate the establishment of a more sustainable development for the entire planet. Hence, it is not just a question of humanitarian goodwill, but a restructuring of the world order and regulations, in much the same way that national distribution and re-distribution systems operated to consolidate development in the industrialised countries. Thus, equity – a recurrent term in all the international conventions, but not recognised as a common theme – (for example equity in the CDM!); becomes a dynamic element in the system, since it participates in its regulation.

These, then, are the fundamental issues which should be addressed at the World Summit 2002 and even beyond.

Jean Philippe Thomas and **Youba Sokona**
work for Environnement et Développement
du Tiers Monde – ENDA-TM, Senegal

References

- Cook, Lisa D.** and **Jeffrey Sachs** 'Regional Public Goods in International Assistance' from *Global Public Goods: International Co-operation in the 21st Century*, edited by Inge Kaul, et. al., UNDP New York 1999.
- Dessus, Benjamin, Jean-Philippe Thomas** and **Kenya Tillerson**, under the framework of the REC (Reseau Ecodev Coopération) 'Le Mécanisme de Développement Propre confronté aux Priorités Africaines'. (The Clean Development Mechanism and African Priorities), Bulletin Africain n°11, June 1999.
- Drèze, Jean** and **Amartya Sen** *Hunger and Public Action*. Oxford: Clarendon Press 1989.
- Hourcade, Jean-Charles** and **Thierry Le Pesant** 'Le changement climatique. Une question de politique mondiale'. (Climate change: a question of Global Policy) Cahiers français n° 306. January-February 2002.
- ICTSD / ENDA** 'The Fourth Ministerial Conference of the World Trade Organisation at Doha: Un consensus ambiguë qui présage des négociations difficiles' in *Passerelles* vol III n°2 November 2001 – January 2002 ICTSD/ENDA.
- IPCC Third Assessment Report** 'Climate Change 2001 – Synthesis Report', 2001.
- Mauriac, François** 'Bloc notes July 69', Paris Flammarion, 1971
- Meltzer, Alan** 'Reforming International Financing Institutions: Financial Stabilisation and Economic Development Plan.' Economic Perspectives. State Department U.S.A. February 2001.
- NGO South Summit** 'An African Civil Society's Position at the Southern Summit, in Preparation for WSSD'. Algiers, Algeria March 16 and 17. 2002.
- OECD** 'Une reprise en veilleuse? L'avenir de l'aide aux pays du Sahel' SAH/D(97) 462, March 1997.
- Ribot, Jesse C.** Antonio Rocha Magalhaes and Status Panagides. 1996. *Climate Variability, in the semi arid tropics* Cambridge: Cambridge University Press.
- SFI** – World Bank, 2001.
- United Nations Development Programme** *Human Development Report 2001* Oxford University Press, New York 2001.



by Fackson Banda, Panos Southern Africa

{9}



In theory, most of Africa has embraced the concept of good governance. In practice, this is not the case. But, even as local systems of government are far from being transparent and accountable, most African nations are 'buying into' the global movement towards good governance. WSSD should become a focal point for rallying civil society in Africa behind the drive to curb corruption and promote good governance in public and private life.



T

he 'wind of change' that blew across most of sub-Saharan Africa in the 1990s brought along with it the notion of democratic and pluralistic systems of government. Even so, there still lingered a post-independence legacy of what Judge Heath refers to as "the politicization of the state, and patrimonial economic management and incentives, whereby clientelism replaced moral and political legitimacy, and personal loyalty and obedience were more than merit". (Heath, Willem, 2000) This, according to Heath, was a legacy of corruption and decadence in Africa's new states, a syndrome that continues to bedevil most of Africa's development initiatives.



In theory, most of Africa has embraced the concept of good governance. In practice, this is not the case. But, even as local systems of government are far from being transparent and accountable, most African nations are 'buying into' the global movement towards good governance. One advantage of this is that African leaders, spurred on by fears of political backlash at home, are taking on board some notions of good governance.

Even if these notions of good governance take on socio-cultural specificities, they still seem to endorse the fundamental principle that "accountability and transparency in the management of national affairs and the discharge of the responsibilities of public office" is fundamental. (Government of Zambia, 2000) There is also a realisation that good governance is threatened by corruption. This is leading to a whole new rhetoric that, at the SADC level, has resulted in the establishment by Heads of State and Governments of the SADC Protocol Against Corruption. The protocol, among other things, seeks to encourage good practices and experiences in combating corruption; to acknowledge the economic, social, cultural and political foundations of society throughout the world, including the SADC region; and to extend the definition of corruption to include corruption in the private sector. (SAFAC News, November 2001) Corruption has hitherto been

viewed very much in terms of Transparency International's definition as "abuse of public office for private gain".

In a sense, the emphasis on curbing corruption by African leaders is an attempt to negotiate with globalisation. Basically, African leaders have been attempting to articulate some kind of common agenda or, to use Senegal's Abdoulaye Wade's words, "an African strategy for globalisation".

Governance Priorities for Africa

There appears to be a flurry of reactions from Africa to agendas for global governance emerging from the UN Millennium Summit, the G8 Summit, and other international processes driven largely by the developed North.

Well before the holding of the OAU Summit of Heads of State in Lusaka Zambia in 2001, Thabo Mbeki, building on his "African Renaissance" ideas, argued for what is now known as the "Millennium African Renaissance Partnership Programme (MAP). Interestingly, the very first objective of this programme is to "create peace, security and stability, and democratic governance without which it would be impossible to engage in meaningful economic activity". This idea is echoed in South Africa's non-paper for discussion in the preparations for the World Summit on Sustainable Development scheduled for Johannesburg this year. The document



proposes that the programme of action for the attainment of what South Africa calls the “Global Deal” must be associated with “increasingly open and democratic governments and with improved systems for managing national and regional conflicts”.

This position is reflected in Senegal’s Abdoulaye Wade’s OMEGA Plan which, among other things, calls for “global management” of all resources allotted to the development of infrastructure and educational facilities for sustainable development. There is an implicit appeal to notions of transparency and accountability in the systems of global governance at the UN, World Trade Organisation and other levels.

But the most comprehensive articulation of a good governance agenda is seen in the merger of the two initiatives – the New Africa Initiative (NAI). Among the ideals to which the African leaders pledge themselves are:

- ▶ To promote and protect democracy and human rights in their respective countries and regions, by developing clear standards of accountability, transparency and participatory governance at the national and sub-regional levels;
- ▶ To restore and maintain macroeconomic stability, especially by developing appropriate standards and targets for fiscal and monetary policies, and introducing appropriate institutional frameworks to achieve these standards;

- ▶ To institute transparent legal and regulatory frameworks for financial markets and auditing of private companies and the public sector; and
- ▶ To build the capacity of the states in Africa to set and enforce the legal framework, as well as maintain law and order.

Quite clearly, all these point to a realisation by African leaders of the need to work into programmes for sustainable development those notions of good governance that make for smooth and inclusive implementation of such programmes.

It is the New Africa Initiative (NAI) that has informed the vision of the New Partnership for Africa’s Development (NEPAD), going so far as to provide a framework for development financing both from domestic and external resources. Important to note is that the UN International Conference on Financing for Development held in Mexico resulted in the Monterrey Consensus that calls inter alia for “fighting corruption at all levels as a priority. Corruption is a serious barrier to effective resource mobilisation and allocation, and diverts resources away from activities that are vital for poverty eradication and economic and sustainable development” and for “an effective, efficient, transparent and accountable system for mobilising public resources and managing their use by Governments.” (UN, 2002)



Developed Country Priorities

This language is not new: the 1999 G8 Summit in Cologne, in its effort aimed at “deepening the Development Partnership” with the Third World as “essential partners in a globalised world”, pointed out that “while international assistance and debt relief are clearly important, their positive effects depend on the sound national efforts towards economic and structural reform and good governance, where the private sector and civil society are able to play productive roles”. (G8 Summit press release. 20.06.99) That language is kept up in the Okinawa Declaration and the Genoa Plan of Action, with the latter specifically putting it thus:

“Open, democratic and accountable systems of governance, based on respect for human rights and the rule of law, are preconditions for sustainable development and robust growth. Thus, we shall help developing countries promote:

1. accountability and transparency in the public sector
2. legal frameworks and corporate governance regimes to fight corruption
3. safeguards against the misappropriation of public funds and their diversion into non-productive uses
4. access to legal systems for all citizens, independence of the judiciary, and legal provisions enabling private sector activity
5. active involvement of civil society and Non Governmental Organisations (NGOs).
6. freedom of economic activities”. (G8 official communication, July 2001)

The G8 leaders also pointedly set themselves these tasks: 1) implement fully the OECD Bribery Convention; 2) support efforts in the UN to pursue an effective instrument against corruption; and 3) encourage Multilateral Development Banks (MDBs) to help recipient countries strengthen public expenditure and budget management.

Clearly, there is some rhetorical common ground on issues of good governance and corruption. In particular, it is important to note that the G8 leaders are committing themselves to reducing possibilities of Western based public and private institutions perpetrating corruption in the South, a point expanded on elsewhere in this chapter.

Furthermore, the same language of good governance is clearly reflected in the Post-Lome Agreement, signed in June 2000 in Cotonou, Benin. It spells out a new overall trade and aid agreement between the European Union and 77 African, Caribbean and Pacific states. The new 20-year agreement, which replaces the so-called Lome Convention, includes as a “fundamental element” the pursuit of good governance defined in the agreement as “transparent and accountable management of



human, natural, economic and financial resources for the purposes of equitable and sustainable development". The agreement also calls specifically for measures aimed at "promoting and combating corruption". (Transparency International, 2000)

Is Anything Changing?

This rhetoric notwithstanding, sub-Saharan countries seem far removed from stemming corruption within their boundaries. Firstly, critics of the NEPAD have argued that although Africa was going back to the drawing board, the NEPAD would not succeed given the configuration of economic power. The fact that even regional bodies depended on donor financing for their programmes would entail disaster for the NEPAD.

According to Dr. Neo Simutanyi of the University of Zambia's Institute of Economic and Social Research "African economies are not integrating, their political systems are irate and corruption and embezzlement are rife". Dr. Simutanyi argues that the capacity of African leaders to manage programmes under NEPAD is low due to corruption. He also wonders whether the West is sincere in seeking to finance an initiative that is ultimately meant to make Africa less dependent on loans and so-called development aid from the North. (quoted in *The Post*, Zambia Friday 5 April 2002)

Secondly, a common set of questions on corruption was asked in surveys of

random, nationally representative samples of voting-age populations in seven Southern African countries between July 1999 and July 2000. The surveys found that popular perceptions of government corruption are extraordinarily high in some Southern African countries. In Zimbabwe, more than 69 per cent said that all or most government officials are involved in corruption. One half of Zambians and South Africans also shared this view.

However, these survey findings need to be taken cautiously. Perceptions of corruption are tenuously linked to actual experience. The surveys found that while perceptions of corruption are quite high, actual experience is much lower. (Mattes, R. and Bratton, M., 2001) This caution notwithstanding, the lack of experiential evidence of corruption may be explained in terms of the fact that there are very few known prosecutions of cases of corruption in most of Southern Africa. It does not mean that there are in fact very few cases of corruption; it simply means that the respondents have not come into direct contact with many proven cases of corruption.

The media have exposed corrupt practices in some of the countries. For example, two cabinet ministers in Zambia lost their ministerial and parliamentary positions as a result of their involvement in the abuse of public office when they withdrew huge sums of money for what



was seen as unauthorised expenditure. In South Africa, there has been a media expose of an arms sales scandal involving senior government officials. In Mauritius, the newspaper *Le Defi-Plus* has exposed several cases of corruption, including exposing a former deputy Prime Minister who was allegedly involved in the importation of firearms and munitions used by his agents in an electoral campaign.

While most corruption cases have been confined to the public sector, and to a lesser extent the private sector, within these nations, it is a truism that there is a body of evidence emerging that failure to resist corrupt practices on the part of huge transnational corporations or foreign public officials almost always serves to exacerbate the pandemic. TNCs, in their quest to avoid the bureaucratic bottlenecks associated with investing in poor Third World countries, tend to bribe public officials or ruling party officials in a country where they wish to invest.

For instance, in 1998 Julius Court of the United Nations University conducted a study in 20 African countries to establish how common it is for private firms to pay irregular 'additional payments' (bribes or tips) to get things done. In Namibia bureaucrats believed that such payments were virtually 'non-existent'. In a quarter of the sampled countries such payments were 'seldom' the case. In contrast, in Kenya, Nigeria and Togo, such payments were per-

ceived to be 'mostly' needed to get things done. (Court, J., 2001)

To that end, Transparency International has been calling for the monitoring and strengthening of the OECD Convention on Combating the Bribery of Foreign Public Officials in International Business Transactions. This Convention binds 34 countries including the world's major exporters. In particular, TI has been seeking *inter alia* to close the "loophole in the Convention caused by the absence of prohibitions regarding bribe payments to political parties and party officials" and to press for the adoption of "a Financial and Transparency and Accountability Initiative which will help monitor books and records, outside audits and internal corporate controls" of TNCs and/or foreign public bodies. (Transparency International, 2000)

Future Challenges

But what can be done at the global level to help get to the heart of such problems of poor governance and corruption in Africa? Quite clearly, there needs, firstly, to be a recognition of the efforts being made by African leaders in that direction backed by tangible support. To that end, the SADC Protocol Against Corruption, for instance, needs to be strengthened in terms of refining its mandate and giving it the necessary financial, material and other support to carry through what it undertakes to



achieve. In the same breath, African leaders need to be encouraged to sign up to the Twenty-five Principles to Combat Corruption in Africa agreed upon at a Global Coalition for Africa Conference held in February 1999.

Secondly, the “rules” for participating in global governance structures, such as the UN, WTO and others, should be such that African leaders feel part of the international community, and not marginalised from major global decision- and policy-making processes. This will have the effect of making Africa “own” the global governance agenda and thus find it easy to apply it to its geo-political context.

Thirdly, the WSSD should become a rallying point for harnessing the NEPAD ideals and ideas in a declaration of principles that commits both the developed North and the developing South to all the commonly enunciated anti-corruption principles.

Lastly, but not the least, the WSSD should become a focal point for rallying civil society in Africa behind the drive to curb corruption and promote good governance in public and private life. In other words, there should be a critical mass of civil society to constantly urge their governments to make good on the principles that they will have adopted during the WSSD.

Although it is difficult to solve the problems of corruption, and its attendant ills of undemocratic practices by those in high offices, these can serve as first steps towards a cumulative anti-corruption movement across Africa.

Fackson Banda is the Regional Director of the Panos Institute Southern Africa, based in Lusaka, Zambia.

References

- Court, J.** ‘Bureaucracies and perceptions of corruption: survey evidence from Africa’. In *Global Corruption Report 2001*. Transparency International
- G8:** the final official notice. www.genoa-g8.it.
- Government of the Republic of Zambia.** ‘National Capacity Building Programme for Good Governance in Zambia’ framework document. 31 March, 2000.
- Heath, Willem H.** Keynote address in the ACC ‘Promoting and protecting integrity in public life report’. Volume I. Anti-Corruption Commission: Lusaka 2000
- Mattes, R.** and **Bratton, M.** ‘Assessing corruption in Southern Africa through the eyes of Southern Africans’. In *Global Corruption Report 2001*. Transparency International
- SADC Protocol and SAFAC News** – available online at www.sahrit.org/programmes/draft. Volume 1, No. 2, November 2001
- Transparency International** Annual Report 2000
- UN doc.** A/AC.257/L.13 ‘Outcome of the International Conference on Financing for Development: The Monterrey Consensus’ January 2002.

INTERDEPENDENCE IN A DISCONNECTED WORLD: CHALLENGES FOR THE WORLD SUMMIT ON SUSTAINABLE DEVELOPMENT

by Pieter van der Gaag, ANPED*



“

The events of PrepCom III were nothing short of disturbing. Are we merely observing the end of the global sustainable development dialogue, or are we also witnessing the end of multilateralism? How is it possible that global negotiations on an agenda of integration could actually lead to global disintegration?

”

There is something ‘afoot’ at the UN today. As the third Preparatory Committee meeting for the World Summit on Sustainable Development has ended, we have to conclude that post-Cold War international relations have changed. In the same week that the UN Security Council found unanimity for the first time on a position on Israel, it became clear that multilateral consensus on how to take the sustainable development agenda forward no longer exists.

How could this be, in an era where we realise more and more that in this interdependent world action needs to be taken in partnership, and facing the current environmental and social trends where action is needed now? The common mission embarked upon in Rio in 1992 seems to have vanished.

*Views expressed are of the author and do not necessarily reflect the views of ANPED.



This is the final chapter in the third of a series of four books, which argue the case for strong actions and firm steps on the road to sustainable development. Yet if one takes a look at the results of two full UN meetings and five major regional conferences aimed at producing a strong result in Johannesburg, one should wonder if these books were actually read: an interesting question for an author who is doubting whether or not viciously to attack our decision-makers, no matter what the consequences, or to try to bring a useful analysis to help rescue a process clearly in trouble.

Pascal advises this activist to take the safe bet, so here follows my analysis, and my suggestions for improvement. We cannot afford much more polarisation. We need to put a great deal of time and effort into analysing what is going wrong, to mediate between the actors who have entrenched themselves in their own belief systems, and to get the whole process back on track.

Analysing the disconnections

If one has followed the negotiations during the past few meetings at the UN in preparation for the WSSD, one must conclude that there are wide gaps to be found between all actors involved in interpreting the task at hand, defining the obstacles to implementing Agenda 21, and putting in place the mechanisms for implementation. Ten

years after UNCED the world seems more disconnected than we had hoped for in 1992. The preparatory process is charged with defining two outcomes of the Summit. The first is appropriately called the 'Type I outcome' and it consists of the political declaration and the action programme that is negotiated between those nations that participate in the Summit. The second is consequently called the 'Type II Outcome' which is an action plan that is the result of partnerships between governments, their stakeholders, and every combination inbetween (see section 2). In both these outcomes, disconnections can be observed.

So far there are several real or perceived gaps that can be put in the following categories:

- 1) Negotiating bloc to negotiating bloc
- 2) NGOs to governments
- 3) Major Group to major group
- 4) Local to Global and vice-versa.

An analysis of some of these disconnections should clarify the major tasks that lie ahead to rescue global progress towards sustainable development. The analysis below tries to aim for the heart of the disconnection. Within each section, and in the concluding section an attempt is made to propose a possible way out of the stalemates we are now confronting.



1) Country to country

In a multilateral system, the primary relationship is the one between the nation states. The choice to pursue a multilateral solution to specific issues is currently based on an understanding that in an interdependent world, unilateral approaches will either a) not have a significant effect, or b) harm the national interest of the state. Sustainable development as defined in Rio in 1992 is a multilateral issue. Sustainability demands global solidarity between the peoples that inhabit the planet, and between the peoples that will inhabit the planet in the future. In the first case, it is primarily a development issue, in the traditional sense of the word. In the latter case, it is primarily an economic development issue and an environmental issue – hence the three pillars of sustainable development. In a globalising world, economic development is dependent on multilateral co-operation. Environmental issues for the most part are also cross-border issues. Poverty eradication requires resource transfers, and this is at least a bilateral effort.

In the years leading up to Rio 1992, during UNCED, and in the years following, there was a general understanding that changing production and consumption patterns would deliver resource use reductions and economic development. Sustainable patterns of production and consumption would work to increase our quality of life

further than the current unsustainable patterns are able to. Poverty eradication – inextricably linked to changing the patterns of consumption and production – would deliver the just world we desire now.

Yet in the run-up to the World Summit on Sustainable Development, 10 years after Rio, 15 years after the Brundtland Report, and 30 years after the Stockholm conference, multilateralism is in trouble. The common understanding of the need for solidarity, demonstrated through concerted action locally, nationally, and internationally, has disappeared. And each of the negotiating blocs can take part of the blame.

Most disturbing is the position of **the United States**. The country with the largest ecological footprint and the largest per capita resource use has finally come to the understanding that its way of life is unsustainable. In other words, its consumption and production patterns and the exporting of them around the globe are what these UN conferences have sought to change. However, American society – and particularly its political establishment – is not willing to take up the challenge. The short term political risk is traded off for the long-term benefits that sustainable development can bring to the quality of life of the average US citizen. In the words of an American diplomat: ‘The American is an optimist and optimists think nothing is wrong’. A multilateral



approach to sustainable development then becomes equated with a message of pessimism, instead of a concerted effort of hope. And so the official American policy line is to steer away from multilateralism, as it implies actions by Americans, and to turn the agenda of change around to one of expansion of the American way of life. In this thinking the US is closely followed by the nations of the JUSCANZ group (Japan, US, Canada, Australia, New Zealand) and quietly by some EU member states.

The European Union, another major actor in these negotiations, also shows an inability to operationalise the ideas that it has long known to be right. The EU's member states are strait-jacketed by their obligation to achieve regional consensus. In addition, efforts to change the economic system are subservient to the whims of an unaccountable Commissioner of Trade. And thus the message the EU sends to the world is one of platitudes, generalisations, ideas, and great visions.

All these platitudes are put into words in a European Commission communication, better known as the external sustainable development strategy (XSDS). (European Commission, 2002) This XSDS is painfully devoid of meaningful actions and timetables, making it just one of many laudable documents that may constitute the countless stepping stones towards a good sustainable development policy.

This is not to say that the EU is not doing anything. There is an agreement to increase ODA. There is a fund to help poor nations besieged by attacks from others through the WTO. The EU states have ratified the Kyoto Protocol. And the EU continues to seek out multilateral approaches to protect its fragile economy in this interdependent world. But it is protection of its economy that is keeping the EU from taking steps that are most loudly called for by the third group – the G77 – of opening up its markets to those products in which the G77 members excel. Through that unwillingness, the EU is another actor that can be blamed for disconnecting the multilateral approach to sustainable development.

The G77 is the final bloc that needs to be discussed. With apologies for the oversimplification, their position seems to boil down to: 'no more money, no more technology = no deal'. This position is understandable, especially since the deals made in the past have not been lived up to, mostly due to lack of political will in the North. Yet within the bloc there seem to be many who are looking for a new deal, one that supports moves by developed nations to increase their ODA and their effectiveness. There are many very good offers on the table. A failed Summit will wipe them off and may have the effect that the earlier deal disappears altogether. What then is left?



It seems that the positions of the negotiating blocs are pushing us in a direction where we will be seeking out a second best solution – one that is difficult to accept but that will keep our society on track. The Summit will need to bring a tough message home. Lack of political will and vested interests are holding us down, and we are unable to break loose.

2) NGOs to governments

Since Rio, there has been widespread acknowledgement of the need to involve non-governmental actors in the implementation of Agenda 21. More recently, governments have discovered the potential of using for-profit actors in attaining public policy goals. The ability of for-profits to organise efficiently, their ability to reach wide audiences through the use of the media or via their own employees, and most importantly their access to technology and financial resources, have tempted governments to enter into close and (for other actors) uncomfortable liaisons. Not only for-profit institutions have such potential. Consumers, academics, farmers, women, youth, development and environment NGOs also have recognised potential in improving the decision-making process, democratisation, outreach to the general public, and in many cases, on the ground implementation.

Yet at Prepcom III it seemed that governments only had eyes for their for-profit partners, as the calls put forth by the rest were ignored, refuted, or considered counter-productive. 'Networks of the Willing' is a new catchphrase that was frequently heard. How are these networks different from existing voluntary partnerships? How will active polarisation by government of their stakeholders (between those who want to play and those who don't because they lack faith in the current dominant dogma) help reach the goals of Agenda 21?

Example: Accountability and Type II implementation mechanisms

One of the main intended outcomes of the WSSD are the so-called Type II partnerships. At the third PrepCom these 'Type Twos' were further defined by the chairman after two consultative sessions with governments and the major groups. According to the chairman, Type IIs should:

- ▶ achieve further implementation of Agenda 21 and Millennium Declaration Goals;
- ▶ complement globally agreed Type I outcomes and not substitute government commitment;
- ▶ be voluntary in nature and not be subject to negotiation by the PrepCom;
- ▶ be participatory, with ownership shared between partners;



- ▶ be new initiatives, or, in the case of ongoing initiatives, demonstrate added value in the context of the Summit;
- ▶ integrate economic, social and environmental dimensions of sustainable development;
- ▶ be international (global, regional, or subregional) in scope and reach;
- ▶ have clear objectives, and set specific targets and timeframes for their achievement; and
- ▶ have a system of accountability, including arrangements for monitoring progress.

Interested parties are advised to submit their proposals for approval by Prepcom IV.

Non-governmental environment and development organisations have expressed their interest in these partnerships, and have recognised their potential. However, these same groups have also expressed their concerns, especially around the issue of good governance.

In the view of many of these NGOs, Type II partnerships will be like the countless corporate self-regulatory mechanisms out there. The experience with Voluntary Agreements is that they need to be firmly rooted in strong public

regulation. WSSD Type II outcomes need to be backed by strong Type I outcomes. (see for example OECD, 2001 where it is shown that voluntary initiatives work best in an effective regulatory and policy environment) The latter seems at this stage highly unlikely, especially considering the dismal state of the negotiations around the Action Programme. Experience shows that when seeking to meet public policy objectives through private means, certain measures of accountability need to be in place. NGOs submitted proposals to the PrepCom to start a process that would result in an agreement on such accountability measures. The Access Initiative¹ and the proposal put forward by several NGOs for a Corporate Accountability Convention are its leading examples. The discussion on Principle 10 of the Rio Declaration has not moved forward very strongly yet. The call for a convention on corporate accountability was flatly rejected by the major power blocs at the UN.

NGOs also called for a system to be set in place to deal with natural power inequities between business and NGOs or community based groups. The first holds control over the needed finance,

¹The Access Initiative is an NGO initiative of EMLA, Participa, the Thailand Environment Institute and WRI with as one of its goals to raise the awareness and commitment of governments towards building national access and public participation systems and thus implement Principle 10 of the Rio Declaration and public participation provisions of Agenda 21.



and in many cases more advanced information. The latter groups may have access to good information and some resources, but certainly are not able to make or break a deal on the level that governments and private business could. Where it is considered to be ideal that community based groups or NGOs participate in these partnerships, there needs to be a mechanism in place that levels the so-called playing field. This generally means that there is a need for a mediator. Government or an international institution could play the role of such a mediator. The partners will have to agree that the government actor takes a lead role within the partnership, meaning that they will be the ones who will resolve differences, ensure accountability of the partners, and ensure that the partnership is embedded in the overall policy goals to be obtained (notably the Type I agreement). It is also possible to build the partnership in the form of a legal contract with the targets set in place, and with enforcement in national courts. This would mean that the implementation of the public policy objectives through Type II mechanisms are still subject to general principles of good governance.

The chairman realised the need for accountability when designing a Type II. Yet, the general rejection by government and business of legal accountability frameworks when dealing with private

entities such as corporations shows that this idea is unlikely to survive.

3) Business to NGOs: same words, different interpretations

This third disconnection is a more disturbing one, especially in the light of the discussion above on partnerships. If a Summit is indeed to move ahead with so called multi-stakeholder partnerships, it would be common sense for the partners to communicate in the same language and share the same goals. In the area of sustainable production and consumption, the field where the private sector and the non-governmental sector truly do meet, this language is still not the same. We can take the discussions around governance for sustainable development as an example.

NGOs would argue that governance for sustainable development means that policy is developed in an integrated manner, and aims to achieve clear objectives – in this case, changing production and consumption patterns. These objectives would be: 1) decoupling environmental impacts from economic growth, through resource use reduction and toxic emission elimination, and 2) equitable consumption (including through poverty eradication). This would also mean amplifying the sustainability effects of local production and consumption systems.



Business argues that governance for sustainable development should focus on creating an investment climate that allows the transfer of more efficient technologies and business models. This should not be a surprise, considering that the main representatives of business are from large multinational companies, aiming for global markets.

And thus the NGO community does not talk about creating business-friendly investment conditions, and the business community does not talk about governance for changing production and consumption patterns. Yet these views need to be reconciled. Sustainable development needs the participation of private enterprise and the backing of non-governmental organisations. In principle, efforts to change production and consumption patterns are not diametrically opposed to improving governance conditions at the national level. These processes could take place in parallel, including at different levels, yet with the sustainable development targets in mind.

International agreement on market measures and regulatory frameworks that change unsustainable production and consumption patterns is needed to offset market pressures. Measures to improve national governance conditions, including the establishment of national sustainable development committees and strategies would also support this process.

4) Local to global

Though the concept of sustainable development may be losing ground at the international level, it is certainly picking up at the local level. There are 5000-6000 local action plans that qualify as sustainable development plans (or Local Agenda 21s). These plans are marked as the true success stories of the follow up to the Rio Earth Summit, and rightly so. They are happening despite the giant implementation gaps at the national and international levels. Yet local sustainable development is not an unqualified success story. Local sustainability work is still facing many institutional and political obstacles, the most important being a lack of support. The International Council for Local Environmental Initiatives (ICLEI) and several NGOs, including ANPED, have signalled this to the government representatives at the Summit. Also, in this book a substantive case is made for the Summit to put into place other, more direct, mechanisms that support local sustainable development. (see Chapter 7)

The chairman's text does note that more work is needed to create 'enabling environments'. (United Nations, 2002 – see para 3 quint of the Working Group II text, 31 March 2002) Yet this text does not recognise the barriers that have already been identified, and does not meet the direct requests put forward by local communities for support.



A recent ANPED report that was written in co-operation with seven NGOs active at the local level in Western, Central, and Eastern Europe identified several of these barriers. These conclusions were also supported by a recent report of ICLEI, the organisation that represents local authorities at the United Nations. These barriers were in short:

- ▶ **Lack** of awareness, with recommendations for a UN review of how this awareness could be improved
- ▶ **The lack** of sufficient spreading of good practice: this should not be limited to publications written by experts but should enable local representatives to visit and learn from good practice in other regions
- ▶ **Lack** of National Sustainable Development Strategies (NSDS), including the necessary national policy reforms
- ▶ **Lack** of national networking of local sustainability initiatives
- ▶ **Corruption**
- ▶ **Insufficient** local management systems
- ▶ **The inability** to meet basic needs, which is perhaps the greatest barrier to local sustainable development
- ▶ **The inability** to tackle unsustainable production and consumption, including the difficulties under WTO rules in supporting local production for local consumption mechanisms

- ▶ **The lack** of corporate accountability
- ▶ **The lack** of direct support. (ANPED, 2001)

There has been significant progress made towards achieving active Local Agenda 21 processes but municipalities are also facing a variety of obstacles. Insufficient financial support is the largest obstacle faced by cities implementing Local Agenda 21 regardless of GNP or of the presence of a national campaign. Lack of support from national and federal governments is also commonly experienced. In developing countries, additional key obstacles include insufficient expertise and insufficient information. In addition to financial and national support, municipalities in countries in the middle GNP category experience difficulties generating community interest. The key obstacles in developed countries are a lack of financial support, community interest, and interdepartmental coordination, closely followed by national government support. (ICLEI, 2002)

Progress has been made on some of these issues by non-governmental organisations and most importantly by the local communities themselves, but they look towards the WSSD to agree to commitments at the international and national levels to overcome these obstacles. Yet there is no real likelihood that the Summit is actually going to reach out a helping hand to increase the



effectiveness of these local initiatives.

The Summit is using a 'top down' approach to sustainable development. The philosophy behind this is that if the Heads of State give guidance to creating the 'proper' market conditions, investment protection, and solid governance, development at the local level will automatically follow. Yet as the example of the *Kupfuma Hakuna Nharo Group* identified (see Chapter 7), the 'trickle-down effect' is an uncertain basis for sustainable development. By ensuring 'good governance' in the sense promoted by business, one is not ensured that development will follow. Business seeks markets when deciding on where to invest, not opportunities for philanthropy. If a local market does not meet those needs, no matter how well governed, the potential of international investment will not be realised.

Can we reconnect on sustainable development? Unusual common but differentiated responsibilities

The picture painted so far is a grim one. The disconnections between business and NGOs, NGOs and governments, localities and governments, and governments and governments all stand in the way of participatory action programmes for sustainable development. Yet plenty of opportunities remain for the multilateral system to create a win in the area of sustainable development. 10

years after Rio, we have finally realised that the types of reforms sustainable development requires are immensely complex. Perhaps complexity is the greatest barrier to achieving sustainability.

In 1992, we might have been naïve in thinking that a world that is used to operating in blocs, thinking in academic disciplines, organising government in issue-specific departments, and so on would be able to change its mindset to one of solidarity between blocs, between disciplines and between governmental departments. This task alone is enormous, and it only deals with creating the tools for sustainability.

Next to this toolbuilding task of integrating decision-making and reasoning to reflect inter- and intra-generational equity perspectives, we are faced with the actual issues: reforming production systems, adjusting consumption patterns, and eradicating poverty. These are not the smallest of tasks. The urgency of the problem, the speed at which our societies on this planet are becoming more and more unsustainable, and the detrimental effects this will have on our future (through climate change, loss of genetic resources, social unrest, hunger, thirst, and so on), demand quick solutions.

What then will this lead to? A Summit is a major media event. Such events HAVE to succeed. Thus something closely resembling an action programme and a political declaration will HAVE to



be produced. Type 2 initiatives will be proposed, without having resolved the dilemmas associated with them. And thus the current preparatory process shows that we are on a dangerous track. Summits do not just produce texts, they also set standards. And worst yet, these standards are set at the highest political level. Agenda 21 and the Rio Declaration are such standards. The Johannesburg Declaration and the Johannesburg Action Programme will become the new standard. A major change is needed in negotiating stances to ensure that the historic weight carried by the Summit will be such that a momentum is generated that will change the world. In the current state of affairs, this is unlikely to happen.

The Summit should not be a failure. Where possible, the world can move forward. Regional approaches provide opportunities. For example in the UN ECE region, the Kiev Environment for Europe process could provide opportunities for regional co-operation towards sustainability. When a region is big enough, the possible negative effects on the economy in this globalised world of changing consumption and production patterns could become bearable. Type II partnerships could also provide such opportunities, when they are taking place under the right framework conditions. National Sustainable Development Strategies and National committees to work these out

can do a lot to effect change on the national level. Dialogue with practitioners at the national level, and efforts to remove the obstacles in their path to achieve local sustainability is another step forward. The Summit can formulate the policies needed to do so. Dialogue in general, with the objective of removing the differences in definitions of concepts would be another great step forward (such as the debate on Global Public Goods, explored in Chapter 4). At least the Summit should not be an obstacle to processes already underway to combat climate change, to improve environmental governance, to improve development aid, and so on.

However, all these possibilities for success do not add up to a multilateral approach to sustainable development. As a matter of fact, with some minor exceptions they already form the main body of the current draft outcomes. A true multilateral approach is not yet defined. There is no reconciliation proposed between the different policy sectors and the different policy actors. This is of course difficult. The US has clearly stated its opposition to a multilateral solution, especially solutions where action within the US is called for. Perhaps we will need to redefine the role of the United States in an action programme for sustainable development.



And so, I would venture to propose something which many might find inappropriate. The principle of 'common and differentiated responsibilities' was invented in order to allow countries to agree to a multilateral framework even though some could not immediately bear the burden of changing production and consumption patterns due to their level of development. In other words the principle accepts that nations in extreme conditions cannot move at the same pace as others. The US is perhaps one of those extremes. Their environmental impact is the worst, their resource use the highest, their role in closing the income gap the least noticeable. Thus their costs are the highest for 'playing' in the multilateral field. And thus with great pain, as I am an activist, I could envisage a longer adjustment period for US reform. This 'best of worst scenarios' approach is called for, because there are enough willing nations in the world today to move forward. Yet because one powerful economy is not willing to move ahead, those nations are hesitant to move ahead themselves. Kyoto gave us the first example of where the US is left behind. Perhaps the Summit could be the next. The burden will then fall on the other developed states to take a lead. Moral leadership in a multilateral society will then rest with them.

This idea could be operationalised in the proposed global deal. The deal

should be made with participation of all UN members states. Under this broadened definition of the principle of common but differentiated responsibilities, the deal will be a North-South deal, and a deal between the US and the rest of the world. It would require the US to live up to its responsibilities vis a vis the rest of the world further at a later stage than the rest of the world is willing to act, taking fully into consideration the relatively larger burden of its transformation. The polluter does not pay immediately. The US will in a sense be rewarded for its bad behaviour. It will be given a break relative to its per capita ecological footprint. But the US must be on board for sustainable development to be real. We cannot wait another five years for (hopefully) a less irresponsible and corporate free rider-friendly government to be in charge before the US does come on board and allow us to build the momentum to finally break free from the forces that are maintaining the status quo.

Pieter van der Gaag is the Executive Director of the International Secretariat for ANPED, the Northern Alliance for Sustainability, The Netherlands.



References

ANPED 'Think Locally, Act Globally! Overcoming the barriers to effective local action on sustainable development', Amsterdam April 2001.

European Commission 'Towards a global partnership for sustainable development: Communication from the Commission', Brussels 2002 – this external sustainable development strategy is available in PDF format at http://europa.eu.int/eur-lex/en/com/cnc/2002/com2002_0082en01.pdf

ICLEI 'Second Local Agenda 21 Survey', UN DESA New York 2002.

OECD 'Corporate Responsibility: Private Initiatives and public goals', Paris 2001.

United Nations 'Chairman's Paper' doc. A/199/PC/L.1 12 February 2002. See also 'Working Group II Compilation Text, Chapters V, VI, VII, IX' which presents suggested amendments to the chairman's text.



RECENT BOOKS FROM IIED

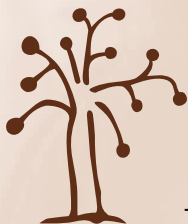


Order books or obtain an IIED Publications Catalogue from:
Earthprint

P.O. Box 119 Stevenage • Hertfordshire SG1 4TP United Kingdom

Tel: 44 (0) 1438 748 111 • Fax: 44 (0) 1438 748 844

Email: orders@earthprint.com • Website: www.earthprint.com



**OVER 30 YEARS
IN ENVIRONMENT
AND DEVELOPMENT**

**International
Institute for
Environment and
Development**

HOW TO CONTACT US

INTERNATIONAL INSTITUTE FOR ENVIRONMENT AND DEVELOPMENT

3 Endsleigh Street
London WC1H 0DD • United Kingdom
Tel: 44 (0) 20 7388 2117
Fax: 44 (0) 20 7388 2826
Email: info@iied.org
Website: www.iied.org

IIED MMSD

Mining, Minerals and Sustainable Development
1A Doughty Street
London WC1N 2PH • United Kingdom
Tel: 44 (0) 20 7269 1630
Fax: 44 (0) 20 7831 6189
Email: mmsd@iied.org

IIED DRYLANDS

4 Hanover Street
Edinburgh EH2 2EN • Scotland • United Kingdom
Tel: 44 (0) 131 226 7040
Fax: 44 (0) 131 624 7050
Email: drylands@iied.org

Design & Production: Green Communication
www.greencom.ca



Printed on 100% forest-free,
acid-free paper
ISBN 1-899825-80-0