

**STATEMENT BY MR. DESAI TO
THE OECD GLOBAL FORUM ON SUSTAINABLE DEVELOPMENT:
FINANCING THE ENVIRONMENTAL DIMENSION
Paris, 24 April 2002**

I would like to say a few words to connect the outcome of the Monterrey Conference on Financing for Development with the agenda of the World Summit on Sustainable Development in Johannesburg. In reality we need to connect three conferences: the Doha WTO Ministerial Meeting, as well as Monterrey and Johannesburg. All three conferences are about a new multilateralism, and they are connected because all three involve an element of give and take between the principal stakeholders, most particularly between the countries of the north and south. We have had significant successes in both Doha and Monterrey – at Doha in placing development at the centre of the trade agenda, and at Monterrey in placing development at the centre of the financing agenda and in achieving a significant breakthrough in the availability of official development assistance (ODA).

The challenge in Johannesburg is to see how the very positive macroeconomic environment that has come from Doha and Monterrey can be used for the purposes of sustainable development. In particular, the challenge for Johannesburg is to come up with concrete programmes and plans for the implementation of all that we've been saying about sustainability from Rio onwards, in a manner that is convincing enough to be able to attract some of the resources that are in sight after Monterrey.

Rio defined an agenda for sustainable development, a policy framework. It had a great impact, particularly in changing awareness, in getting people to recognize that we cannot separate development and environment, that we can't say development first, environment afterwards. We have to do both together. But we have not been able to reflect this understanding in programmes that are sufficiently precise and concrete to attract donor support.

In the preparations for Johannesburg, proposals in such areas as energy are now under discussion. How do we meet the energy needs of the 2 billion plus people who are outside the modern energy net, in a sort of pre-industrial energy system that is perhaps even less sustainable than the fossil fuel energy system? How do we increase the scale of renewable energy use, and how do we increase the drive for energy efficiency? These are some of the things that are being discussed in what I would describe as a major implementation commitment on energy.

Similarly, there are extensive discussions taking place on water and sanitation. Water has been the subject of much discussion in international fora, while sanitation has perhaps been neglected, but is now receiving more attention.

Consideration is also being given to increasing agricultural productivity, which is directly connected with anti-poverty goals and absolutely central to sustainable development, particularly in Africa where the Summit will be meeting. There are also discussion on the health, development and environment connection.

These are some of the areas where fairly concrete proposals are under discussion. I hope that they can be sufficiently developed to attract donor support, which is an important connection between Monterrey and Johannesburg. Johannesburg must come up with implementation programmes for sustainable development to utilize some of the new resources that are in sight.

One of the problems limiting donor funding for sustainable development has been nervousness about funding programmes involving the use of natural resources for development. If we look at the period from Rio onwards, we see a very substantial decline in the availability of ODA for resource-oriented projects. I suspect that this is partly because donors are nervous about potential reactions from different groups. Donors are not entirely sure that these resource projects fully meet sustainability criteria. We must address this problem because we cannot have nervousness about funding land management or forest management, or generally about funding the use of natural resources for development. Without development and management of natural resources, we cannot really talk about sustainable development. In fact, I don't think we can usefully talk about poverty eradication or even about meeting our health goals. So I hope that in addition to the work that will be done in defining programmes that can attract donor support, we will also be able to address some of the nervousness towards supporting resource-based development.

There are yet other connections between Monterrey and Johannesburg. There are many issues, which were extensively discussed in the preparations for Monterrey, as well as at Monterrey, in the roundtables and other meetings, for which I don't think we came up with definitive conclusions. Much attention was given, for example, to the question of global public goods, many clearly falling within the environmental dimension of sustainable development, and perhaps in other dimensions as well. But we didn't come to any definitive conclusions in Monterrey on that issue, either on definitions of global public goods, or on how to handle them institutionally, and certainly not in terms of how they should be financed. One of the things we might possibly do in Johannesburg is to advance this discussion further, as far as it can go in our present understanding of the subject.

Let me mention one or two issues that we also have to address. The Global Environment Facility is one instrument we have for helping to finance activities which deliver global benefits and which would remain under-funded if we left it to each country to assess the costs and benefits accruing to it. That's why we call it the Global Environment Facility. It's a way of handling something very akin to what we mean by global public goods. I hope that we can come up with a significant replenishment of the Global Environment Facility, a replenishment that takes into account the new responsibilities now being placed on the GEF.

We also need to look at the adequacy of the funding for the various conventions, particularly the conventions connected with the Rio process: the Desertification Convention, the Climate Change Convention, and the Biodiversity Convention. I hope that this issue will receive attention in Johannesburg, together with the question of the funding of UNEP, which is absolutely central to meeting our requirements on the environmental side of sustainable development. So I hope that Johannesburg will address the broad area of global public goods, and the more specific concerns about financing the GEF, environmental conventions and UNEP.

Another issue discussed in Monterrey and on which we did not come to definitive conclusions, was that of subsidies, for which Johannesburg may offer further space for discussion. This issue is actually more closely connected with Doha, where there is a certain obligation to look at agricultural subsidies in the context of the next round of trade negotiations. But the question of subsidies is broader than just a trade issue. We know that many of the problems of unsustainability arise because of what are described as “perverse subsidies”. Could we address at least some of these issues in the context of Johannesburg? Not necessarily in terms of a dramatic breakthrough or agreement, because there are other processes which are looking at this, but perhaps more in terms of what each country can do in terms of its own policies and in terms of its own interests.

That brings me to a third area arising from Monterrey, where Johannesburg could add significant value. In Monterrey, we spoke a great deal about strengthening the financial sector in developing countries, about savings-investment mechanisms, capital markets, transparency, accountability, etc. These are important. All of these can contribute to sustainable development at the country level.

Are there other problems, from the perspective of sustainability, which could be addressed through capacity building at the country level? Consider, for instance, the fact that many sustainable development projects, in areas such as forestry, have a long gestation period, perhaps ten years, and a long payback period, perhaps 40 or 50 years. Our normal systems of market-based funding cannot handle such long-term projects, and there would almost certainly be under-investment if we were to depend only on them. Is there room for innovation, for new instruments, new institutions or new methods, that could improve possibilities for funding such long-term, long-gestation projects, which may arise more frequently as we try to integrate different dimensions of development under the broad heading of sustainable development? Is there a case for national arrangements, perhaps akin to the GEF, that address externalities, regarding activities that generate benefits in one place, while the costs are incurred in another place within the country? Are there other innovations in the field of finance that could open up new possibilities for financing the projects we will be discussing in Johannesburg?

These are some of the issues that I believe we can take from Monterrey and pursue further in the context of Johannesburg. Monterrey has created a certain broad macroeconomic framework for development, but that is not the end of the story. Some issues of a macroeconomic character were not fully resolved in Monterrey, and we are still far from the UN goals and targets on ODA. There are many things said at Monterrey about debt, which still need to be worked out. There are many issues of governance, which still need to be addressed. And perhaps there are other financial issues, more specific than the broad macroeconomic environment, that need to be tackled in much greater depth in Johannesburg, perhaps relating to the issues of global public goods, subsidies, domestic capacity, and other issues.

Finally, I would like to say a word on governance issues. One of the things that Monterrey did was to bring the UN and Bretton Woods Institutions together in a much closer working relationship than we've had in other processes. And I believe we gained enormously from this collaboration between the United Nations and the Bretton Woods Institutions. There has also been some discussion of this issue in the context of Johannesburg. We know that what

happens with regard to sustainable development at the country level will depend on the activities of the development finance institutions. How can we bring those institutions into a closer relationship with the types of policy-making arrangements that we have developed in the UN for the purposes of sustainable development? How do we forge a closer link in this process between the UN and the development finance institutions, particularly the Bretton Woods Institutions?

I hope that these issues will be addressed in the discussions on sustainable development governance in the context of Johannesburg. If they are, it would constitute an important connection between Monterrey and Johannesburg. I believe that the Johannesburg Summit offers many promising possibilities for carrying forward the very positive momentum that has been generated by Doha and Monterrey. But in order to fully realize those possibilities, we now need to ensure that in the preparatory processes leading to Johannesburg, we focus our attention sharply on measures reflecting a commitment to practical implementation of all the activities that we have been discussing under this broad heading of sustainable development over all these years.

This I think is a great challenge. I hope that we will all address these challenges and develop ideas and proposals that will contribute to the preparations for Johannesburg and to the decisions, which will be taken at Johannesburg.