

# 10

## **RICH WORLD, POOR WORLD: TRADE, DEBT AND AID**

We are all now in the same lifeboat. The continued health of the North depends on the survival and sustainable development of the South.

Ambassador Jamshead Marker, Permanent Representative of Pakistan to the UN.<sup>1</sup>

**I**n the struggle to reach a fairer, more secure and sustainable world, poor countries face a fundamental problem. Rich nations in the North remain preoccupied with the symptoms of poverty and environmental degradation whilst for the nations of the South, it is the causes of deepening poverty and a worsening environment that must be addressed. At the heart of these problems lie the structural inequalities in economic relations between the North and the South – unjust terms of trade, crippling debts and inadequate aid flows.

The rich countries of the North recovered from the recession of the early 1980s to record eight years of uninterrupted economic growth. Even with the downturn in 1991, average living standards in the 24 member countries of the OECD are still rising slightly. By contrast, the world's poorest countries have been trapped, for over a decade, in a profound crisis. For most of them, the 1980s were a decade of lost development, marked by economic decline, and abysmally low living standards which are still falling. In Latin America, average incomes today are lower than they were in the early 1980s. In sub-Saharan Africa, they have fallen to the levels of the mid-1960s. Only Asia (taken as an economic grouping) has grown more rapidly than the North, but with wide regional variations; the growth in some parts of Asia is counterbalanced by the poverty of countries like Bangladesh and the Philippines.

Economic mismanagement in many of the poorer countries was a factor in their economic downturn in the 1980s. But the sheer scale and

geographical spread of the crisis point to the importance of wider structural forces rooted in the international trading and financial systems. Paramount among these has been a decline in the prices which countries in the South receive for the commodity exports on which many of them depend.

### **Commodity dependence**

Most of the countries in which Oxfam works are heavily dependent on selling a small number of primary commodities, such as tea, coffee, cocoa or copper. In sub-Saharan Africa, ten countries rely on single commodities for more than half their export income. Zambia, for example, earns 97 per cent of its foreign exchange from copper; Uganda earns 95 per cent from coffee.<sup>2</sup>

Tanzania is dependent on primary commodities for 79 per cent of its total exports and cotton accounts for 15 per cent of its export earnings. But in recent years, the price of cotton on the world market has been low – its level determined not by farmers or producer governments, but by traders on the international market. By producing more cotton (though earning less) Tanzania has contributed to the slump in world prices. Buying a kanga – the traditional garment worn by women and men in Tanzania – costs farmers only a little less than their entire earnings from the annual cotton crop. Yet the cotton they can grow on one hectare is enough to make 720 kangas.<sup>3</sup>

Between 1980 and 1988, the terms of trade for developing countries, that is, the purchasing power of exports against the price of imports, dropped by 30 per cent.<sup>4</sup> This deterioration in the terms of trade meant a loss to sub-Saharan Africa alone of US\$50 billion in the second half of the 1980s – equivalent to nearly a year's export earnings.<sup>5</sup> Protectionism, which denies Third World countries access to Northern markets, has in effect added to this revenue loss, depriving developing countries of potential sales of more than US\$100 billion annually.<sup>6</sup>

### **The debt burden**

Being a severely indebted country means being in a state of perpetual financial haemorrhage.<sup>7</sup>

While the deteriorating trade environment has eroded the purchasing power of exports from the South, debt repayments are claiming a growing proportion of trade earnings for many poor countries.

In 1991, developing countries transferred US\$20 billion more to the rich nations of the North (in the form of interest and capital payments)

**Fig 10.1**

**Total debt as a per cent of GNP, and annual debt service as a per cent of exports**

	<i>Total external debt to GNP '89</i>	<i>Total debt service to exports '89 (debt service ratio)</i>
Severely Indebted		
Low-Income Countries	116.5%	27.2%
Somalia	210.5%	47.6%
Mozambique	416.7%	24.4%
Severely Indebted		
Middle-Income Countries	51.3%	31.9%
Philippines	64.3%	25.3%

Source: *World Debt Tables 1991-92*, (1991)<sup>a</sup>

than they received in new loans and investment.<sup>9</sup> They have been caught in this trap every year since the debt crisis broke in 1982, yet most are further away from paying off their debts than ever. By the end of 1990, the total external debt of developing countries stood at US\$1,430 billion, compared with US\$900 billion in 1982. This sum is close to half the total national income of developing countries, or about US\$327 for every woman, man and child.<sup>10</sup> By 1991, indebted Latin American countries owed more than US\$423 billion in long-term loans, and some are spending 5 per cent of their entire GDP servicing them.

Although sub-Saharan Africa's total debt of US\$72 billion is smaller than that of Mexico or Brazil alone, the burden it imposes is even more severe. Despite its poverty and underdevelopment, the region transferred US\$81 billion in debt service payments between 1983 and 1990, with just under half of this going to Northern governments and multilateral agencies such as the World Bank and the IMF.<sup>11</sup>

There is a deadly interaction between trade and debt pressures operating on the world's poorest economies. Debts have to be paid for in hard currency – which has to be earned through trade. As debt service obligations rise and the real prices of exports fall, an increasing proportion of trade earnings are being diverted away from domestic expenditure and towards creditors in the North. Both Latin America and sub-Saharan Africa now spend more than a quarter of their foreign exchange earnings on debt servicing. For an increasing number of developing countries, international trade – once an engine of growth – has become part of the mechanism for maintaining a haemorrhage of capital resources from South to North.

The debt crisis of the 1980s exposed the structural weaknesses of Southern countries within the international economic system. It also forced Southern governments, faced with a sharp cut in export revenues and a rising debt burden, to introduce painful policy reforms, often under the auspices of World Bank and IMF structural adjustment programmes. These programmes sought to increase export competitiveness through currency devaluation, and to reduce budget deficits by cutting public expenditure, deregulating prices, liberalising trade and encouraging private sector investment.

Faced with a need to reduce domestic expenditure and consumption to levels commensurate with the smaller amount of financial resources available, policy reforms were inevitable. Also it is clear that reforms were needed to promote exports and to facilitate more efficient management of the balance of payments. However, the adjustment programmes of the 1980s were unbalanced and inequitable. Geared towards maximising short-term foreign exchange gains to meet debt repayments, they failed to create the conditions for a sustainable, investment-led recovery.

Moreover, adjustment programmes were not supported by sufficient external finance and were based on unduly optimistic assumptions about the effects of market liberalisation. Most seriously, however, they displayed a complete disregard of equity considerations in their prescriptions, with especially harmful consequences for the most vulnerable social groups.

The most visible victims of structural adjustment have been the poorest, most marginalised people with whom Oxfam works – particularly the urban poor, and especially poor women. The withdrawal of government subsidies on basic goods such as food, kerosene, and on public transport hits hardest at those on the lowest incomes, particularly when devaluation (a common component of adjustment programmes) boosts inflation. The poorest also lose out when cuts in government spending lead to the closure of primary health care clinics and other welfare services. In the Philippines, where at least half the population of 62 million is officially categorised as poor, 44 per cent of the government budget was devoted to debt servicing in 1989.<sup>12</sup>

Women are bearing the brunt of adjustment. Women's burden of unpaid labour is always implicitly expected to fill the gaps caused by cut-backs in health and education....and reductions in other basic services. Similarly, women as household managers are held responsible for absorbing the impact of steeply rising food prices. Restructuring means that someone has to change, and those changes are falling very heavily on women.<sup>13</sup>

## ENVIRONMENTAL COSTS: MORTGAGING THE FUTURE

Oxfam is increasingly aware of deep and pervasive environmental problems associated with the trade and debt crisis in the South. The most direct link between external economic pressures and the escalation of environmental degradation discussed in this book can be stated in a single word: poverty. As people are pushed further into poverty, in part by government measures to deal with debt, and as prices rise faster than incomes, the daily struggle for survival forces poor people to exploit ecologically fragile areas. For example, as their incomes fall, they cut trees to make charcoal or to sell as firewood. Some travel long distances to collect wood to sell in urban markets. They may clear more forest and woodland to grow food or raise animals. In desperation, they may adopt methods which cannot be sustained, even temporarily, such as exploitive fishing. These activities can generate a modest increase in meagre incomes, but often at the cost of soil erosion, land degradation and the loss of long-term environmental security. Oxfam has seen all these pressures at work in the Philippines, where debt and poverty have created a powerful cycle of environmental destruction.

### Fishing communities in the Philippines

Many of the communities with whom Oxfam works in the Philippines are dependent on fish for their nutrition and for an income. Eight million fishing families are amongst the poorest people in the Philippines.



NANCY DURRELL McKENNA/OXFAM

*Philippine fishermen from Laguna Bay mending nets. Fishing communities are faced with declining catches as pollution and over-fishing have devastated fish stocks.*

The unique environment of mangrove swamps and coral reefs once provided rich breeding grounds for fish. But the pressures are intensifying on these fragile fisheries: pollution and industrial trawling result in lower and lower catches for the fishing communities. The once-extensive mangrove swamps are disappearing fast: some 1,700 hectares have been cleared to make way for large commercial prawn farms, financed by Japanese loans and serving the Japanese market. Mangroves now cover just one-tenth of the area they occupied in the 1920s, and the destruction of these mangrove breeding grounds means a progressive and serious lowering of fish catches each year for local fishermen.

Inland, deforestation leads to soil erosion. Soil is carried by rivers out to sea and clogs the deltas, destroying more breeding grounds – the coral reefs. On the island of Negros, the government estimates that 88 per cent of the reefs have been damaged or completely destroyed in this and other ways. As the fishing communities become more impoverished, some turn to desperate – and illegal – measures to increase their catch. They use cyanide and blast fishing (with dynamite), both of which damage the remaining coral and endanger lives. Many fishermen report that daily catches have dropped from 40 kilos 30 years ago to just 2 kilos now. Oxfam is supporting FESFIN – a local grouping of small fishermen on Negros – who are working to reverse this trend by opposing illegal fishing methods and by protecting marine habitats.<sup>14</sup>

There are other environmental consequences of indebtedness and economic decline – national and local. At local level, family and personal indebtedness mean that farmers can no longer afford to invest in long-term conservation measures and land and water management suffer as a result. At a national level, environmental protection measures are abandoned as governments divert resources away from domestic expenditure to service debts. There is evidence from Latin America that imports of pollution control equipment and investment in environmental management programmes have been stopped or curtailed. Austerity measures have left environmental agencies underfunded and understaffed. As the World Resources Institute has argued in relation to Latin America

So long as the economic crisis...continues, investment in environmental improvements – such as cleaning up the heavily polluted urban areas – will be difficult.<sup>15</sup>

### **Debt and deforestation**

The need for foreign exchange for debt servicing, and attendant efforts to expand exports, have added to the pressures on natural resources, especially tropical forests. According to recent estimates, more than 20 million hectares of tropical forest are being destroyed and degraded each



JENNY MATTHEWS/ONFAM

*Timber being measured, Mozambique. Commercial logging operations can supply scarce foreign exchange, but most logging is unsustainable, and a vital natural resource is lost for ever.*

year (an area similar in size to that of England and Scotland) and the rate of destruction is accelerating.<sup>16</sup> However, the pressure to generate foreign exchange is only one of many factors which lead to deforestation. The destruction of the Amazon rainforest is not directly debt-related, but caused by internal factors such as road building, land speculation and clearance by cattle ranchers and small farmers.

In some countries, however, notably Côte d'Ivoire, Malaysia and Papua New Guinea, the link between debt and deforestation is direct and clear. In Côte d'Ivoire, the government is engaged in a desperate bid to increase foreign exchange earnings. Timber extraction is carried out primarily for export and so controls on logging operations have been withdrawn and companies are encouraged to cut into the dwindling tracts of remaining natural forest. Cocoa and other export producers then move into this newly cleared land.

In Central America, the expansion of cattle ranching to meet the import demands of the USA and Canada is one of the main causes of deforestation. During the last 25 years the area has lost two-thirds of its tropical forests, much of which has been cleared to raise beef for export.<sup>17</sup> In Costa Rica, logging and slash-and-burn cultivation are continuing to claim more than 120,000 hectares of rainforest annually. In Brazil, the migration to forest areas by impoverished urban dwellers and landless labourers, often displaced by large farms producing crops (such as soya

for animal feed) for export to the European Community, has also contributed to deforestation.

One commentator writes: 'The debt burden is damaging the environment through extraction, encroachment and neglect.'<sup>18</sup> The pressure to earn foreign exchange is speeding up the extraction of natural resources. Increased poverty among small farmers fuels the process of encroachment on forests and other fragile areas. And governments are propelled by debt to cut back on public expenditure which leads to the neglect of good environmental management.

## **EXPORT-LED ENVIRONMENTAL DEGRADATION**

Structural adjustment programmes have often intensified environmental pressures. Central to these programmes is an assumption that developing countries can export their way into recovery. However, some of the policy reforms introduced to promote export-led growth have been inevitable and long overdue: devaluation of over-valued currencies is one example. Devaluation encourages export crop production because it is likely to increase the prices for traded goods, although all too often the resulting income gains accrue to rich and powerful traders rather than peasant producers.

Viewed from an environmental perspective, devaluation can have both positive and negative consequences. By increasing the local currency costs of imported agro-chemicals, which can cause severe environmental problems (such as groundwater pollution), devaluation provides an incentive for farmers to return to organic production methods, as it did in Zambia (see Chapter 5). Conversely, in Chad, cotton producers responded to shortages of inputs by expanding the acreage planted in an effort to maintain output. This resulted in lower cotton yields and long-term environmental damage to ecologically fragile soils.

Particularly serious problems arise when devaluation is introduced as part of a package of policies designed to maximise commercial export crop production to the exclusion of all other considerations. This is partly because a common feature of all the major export crops – such as coffee, cocoa, cotton and groundnuts – is that they are extremely demanding in their nutrient requirements. Yet large-scale monocultural production is not the only way in which such crops can be grown. When they are carefully intercropped with nitrogen-fixing crops (like cow peas) which act as natural fertilisers, or with bananas or millet, crop yields can be high and the prospects for sustainability are good. The denser vegetative cover provided by multiple cropping reduces soil temperature and erosion, and increases water infiltration. Weeds are less likely to get established, so fewer herbicides are required. Many



Third world farmers are highly knowledgeable about intercropping, and well aware of the dangers of intensifying production to maximise short-term income.

However, as governments have come under pressure to increase output to repay debts, they have encouraged intensive, monocultural forms of production. In West Africa, this has taken place without due regard for the nature of local soils and weather patterns and the results have been ecologically – and economically – disastrous. In Senegal, soils have become so depleted by mechanised groundnut cultivation, the country now has difficulty supplying the groundnut refineries (created mainly with borrowed money).

The rapid expansion of cotton production in countries like Burkina Faso, Chad and Mali has been even more damaging, causing extensive soil erosion and deforestation. In the Koutiala area of Mali, problems of environmental degradation have been accelerated by the development of cotton production which has led to the clearance of wooded areas and encroachment on to land previously used for food crops. The result of this pressure on resources is a shortage of land for small-scale farmers and a breakdown of the traditional system of agriculture which allowed fields to rest by remaining fallow. Because of land clearance, there are few trees left for fuel and the villagers have to use cow dung and cotton stalks, which would otherwise be used to replenish soil fertility. These factors have combined to exhaust the soil and reduce its fertility in an area already vulnerable to drought and soil erosion.<sup>19</sup>

Apart from these 'primary' effects, the expansion of cash cropping has caused a wide range of 'secondary' problems by further marginalising poor subsistence farmers and herders. Evicted from their plots or denied access to pastures to make way for commercial agriculture, they are often forced to work nutrient-deficient soils, easily eroded hillsides (which are rapidly stripped of tree cover) and areas of virgin forest. The result is a vicious cycle of increasing poverty and a deteriorating environment.

### **More for less**

The ecological costs of the headlong rush to generate more foreign exchange have been exacerbated by deteriorating terms of trade. Take the case of cocoa, one of West Africa's main sources of foreign exchange. Between 1985 and 1989, the region increased cocoa production by 26 per cent, as governments diverted resources to the export sector. But over the same period, the equivalent of more than US\$3 billion was lost in foreign exchange as world prices for cocoa fell to their lowest-ever levels in real terms.<sup>20</sup> Exporters of coffee and cotton have also seen falling prices wipe out the gains they anticipated from increased production. At

the same time as the value of their commodity exports has been falling, the cost of imports for Southern countries (mainly oil and manufactured goods) has risen dramatically. Every year, the pressure is on to produce more and more, yet this earns less and less. Dozens of debtors have simultaneously tried to meet their debt service obligations by exporting more of the narrow range of commodities on which they rely. Since world demand for most of these commodities is relatively static the inevitable result has been market gluts and a downward price spiral. In this way, countries become locked in a 'trade trap'.<sup>21</sup>

Ironically, the 'success' of structural adjustment programmes in expanding export production has compounded the problems facing commodity-dependent countries. It has left them trying to climb a downward escalator – producing more at mounting environmental cost just to stand still.

### **Northern protectionism**

Trade measures adopted by industrialised countries contribute to the cycle of environmental deterioration by ensuring that much of the value added to primary commodities never reaches the South. While most primary, or unprocessed, commodities exported by producer countries attract only modest trade barriers in Northern markets, higher value processed products are subject to heavy tariff duties. This 'tariff escalation' is designed to protect manufacturing industries in the North from potentially more efficient competitors in the South. But it has the effect of depriving Southern countries of the increased foreign exchange which domestic processing would bring. Practices such as transfer pricing (the manipulation of prices to avoid local taxation and maximise the remittance of profits back to the North) have a similar effect. In both cases, the outcome is a further loss of revenue for Southern countries and increased pressure on the natural resource base.

The tropical timber trade provides a clear illustration of these problems. Japan, for example, allows raw logs to enter the country duty free, while imposing 9 per cent tariffs on high value plywood. Furniture makers in Europe enjoy even higher levels of protection. The result is that manufacturers in developing countries are discouraged from making the investment which would add local value to exports.

Unlike tariff escalation, transfer pricing is illegal (and therefore vastly under-reported); but it too has the effect of shifting profits away from exporting countries. By understating the price of exported logs, firms can evade taxes in the producer country but raise their profits when the timber is sold at its real market value in the importing country.<sup>22</sup> Within transnational corporations (TNCs), it is relatively simple for a subsidiary to over-invoice its parent company, thus artificially depressing local

profits. According to an official inquiry in Papua New Guinea, Japanese TNCs were evading export duties by stating the price of logs to be, on average, 10 per cent to 20 per cent below those paid by foreign buyers.<sup>23</sup> In Indonesia, logs are often undervalued by as much as 40 per cent.

The outcome of these trade practices is that Third World timber exporters are trapped at the lower value – and most volatile – end of commodity markets. A recent analysis of six countries exporting raw logs showed that they retained less than 10 per cent of the product value that was finally obtained on Northern markets. Had they been able to process the logs, that share could have risen to 35 per cent.

## **ENVIRONMENT AND THE GATT**

The interactions between trade and the environment are increasingly widely recognised. Energy intensive, trade-based growth in the North is polluting the global commons by ozone-depleting chemicals, carbon dioxide emissions and waste dumping. In the South, debt-fuelled export expansion continues to destroy the natural resource base. Against this sombre background, it is no longer possible to ignore the simple fact that trade is an environmental issue.

Responsibility for setting the framework within which governments address the implications of environmental policy for the global trading system rests with the General Agreement on Tariffs and Trade (GATT). Created in 1947, the GATT sets out rules for the free and open conduct of world trade and its agreements cover nearly 85 per cent of international trade. Not surprisingly, environmental problems did not figure prominently in the minds of its architects. But as environmental awareness has grown, the GATT's failure in this area has emerged as its Achilles' heel. Seven years after Brundtland, the GATT makes no mention of environmental sustainability as a legitimate objective of government policy, and it does not allow for the use of subsidies or trade restrictions to encourage more sustainable forms of production. Inevitably, this approach exposes the conflict between environmental policies and GATT obligations. Indonesia, for example, has been accused by the European Community and Japan of violating the GATT by imposing export restrictions on unprocessed timber – a measure introduced to increase local value-added processing. Any government subsidies to industry aimed at reducing carbon dioxide emissions would also fall foul of the GATT, if the letter of the treaty is to be strictly applied.

### **The tuna ruling**

The limitations placed by the GATT on progressive policy making for environmental management were well illustrated by the 1991 'tuna

ruling'. At issue was a successful case brought by Mexico claiming that US restrictions on the import of yellow-fin tuna were contrary to GATT rules. The ban had been imposed under the 1988 US Marine Mammal Protection Act which was passed – after intensive lobbying by conservation groups – because of the large numbers of dolphins killed by Mexico's tuna fleet. This fleet operates in an area of the eastern Pacific Ocean where dolphins swim above tuna and are caught in the tuna nets. The GATT ruling in Mexico's favour stunned marine conservationists. But its implications are much wider, as they concern environmental sustainability and political sovereignty. In effect, the ruling prevents governments from using trade restrictions either to protect environmental resources beyond their national borders or to register an objection to the methods of export production.

Environmentalists, North and South, fear this ruling could now jeopardise international efforts to protect 'extra-territorial' resources, including atmospheric ozone. The Montreal Protocol on ozone depletion, which envisages trade sanctions against countries which do not reduce ozone-destroying chlorofluorocarbon emissions, could be deemed to be in contravention of the GATT. So could agreements such as the International Convention on Trade in Endangered Species (CITES), and the proposed UN moratorium on drift-net fishing.

Clearly, environmental deregulation in the manner implied by the GATT tuna ruling is undesirable. But Third World countries are aware of another danger – 'green protectionism'. They fear that as governments in the North move to clean up their industries, they will seek to protect them from industries in the South operating at lower environmental standards. There are already moves, notably in the US, to introduce legislation aimed at offsetting the price advantages enjoyed by 'dirty' industries (those that do not meet US standards) by imposing import duties. At one level, this approach makes good sense, especially given the failure of market prices to reflect environmental costs. At another, it could open the door to a wave of arbitrary and discriminatory trade restrictions. Inevitably, many of these would be targeted against Southern producers who, because of inadequate investment, are unable to meet Northern environmental standards.

Understandably, developing country governments resent the prospect of having the industrialised countries dictate production standards which, they would argue, are inappropriate given the resource constraints under which they operate. Environmentally, it is in the interests of the North to enable Southern countries to leap-frog wasteful and polluting production methods by learning – and importing – environmentally sound technologies. By the same token, it is not in the long-term best interests of North or South for poor countries to become

the repositories of toxic and other wastes discarded in the rich world but dumped in Southern countries with inadequate pollution control standards.<sup>24</sup>

The GATT may assume an increasingly important environmental role; the GATT Working Group on Environmental Measures and International Trade has been reconvened and is expected to make recommendations on how environmental policies could be incorporated into the GATT, or into any new multilateral trade organisation that could replace it.

## COUNTING THE COSTS

The farmers, pastoralists and marginalised urban people with whom Oxfam works have long been aware of the real costs of environmental degradation. A major factor which perpetuates unjust trading practices is the failure of policymakers and economists in the North to take account of these costs. But this is beginning to change as the discipline of environmental economics, which seeks to assign market values to environmental resources, becomes increasingly accepted. Current research in this area has focused on forests.

Tropical forest destruction accounts for more than 20 per cent of the greenhouse gas emissions which cause global warming. Large quantities of carbon dioxide and other gases are released when they are burned to clear land. In this context, forests also play an important role as absorbers of carbon dioxide, and the earth's capacity to absorb this greenhouse gas is reduced as forest vegetation is destroyed. In addition, the accompanying loss of biodiversity and the genetic material for plant breeding directly affects Northern agriculture.

Conventional economic accounting fails to register environmental costs such as these, or the social costs of impoverishment, because national income figures record changes in wealth only when they pass through the market. When a forest is cut down and sold, a country appears to grow richer – even though a valuable resource has been lost, food and fuel supplies have been reduced for local people and soil erosion and flooding may have increased. The world as a whole has lost some capacity to regulate climate. In the distorting prism of market economics, the value of a single plank of wood from a felled tree can appear greater than the true value of the forest left intact.

Measuring the real cost of destroying tropical forests is, of course, impossible. The relationship between these complex ecosystems and the global climate is little understood, and the future value of undiscovered plants for medical, agricultural and other commercial purposes can only be guessed at. Similarly, the value of forests to those who live in them is incalculable. Yet even the known economic values of natural resources are seldom taken into account in the rush to generate foreign exchange.

One study of the annual market value of edible fruits, cocoa and rubber from a hectare of Peru's Amazonian forest showed that, averaged out over the years, the revenue was approximately six times the amount that could be realised from harvesting the timber from that hectare in a single year.<sup>25</sup>

In 1987, the Brundtland Report drew attention to the need for a new economics which measured the future costs of resource depletion:

In all countries, economic development must take full account, in its measurements of growth, of improvement or deterioration in the stock of natural resources.<sup>26</sup>

Since Brundtland, attempts have been made to devise national resource accounting systems which can measure the effects of natural resource exploitation on the generation of future wealth. Although still in its infancy, this 'green accounting' has come up with some interesting results. One study of Indonesia, covering the period between 1971 and 1984, concluded that the annual average 7.1 per cent growth rate would have been reduced to 4 per cent had natural resource depreciation been costed in.<sup>27</sup> And this is before the 'hidden' costs of soil erosion, loss of fertility and increased sedimentation are taken into account. Mali, for example, is currently losing the equivalent of 4 per cent of its GDP each year because of soil loss caused, in part, by over-intensive cultivation for export markets.<sup>28</sup>

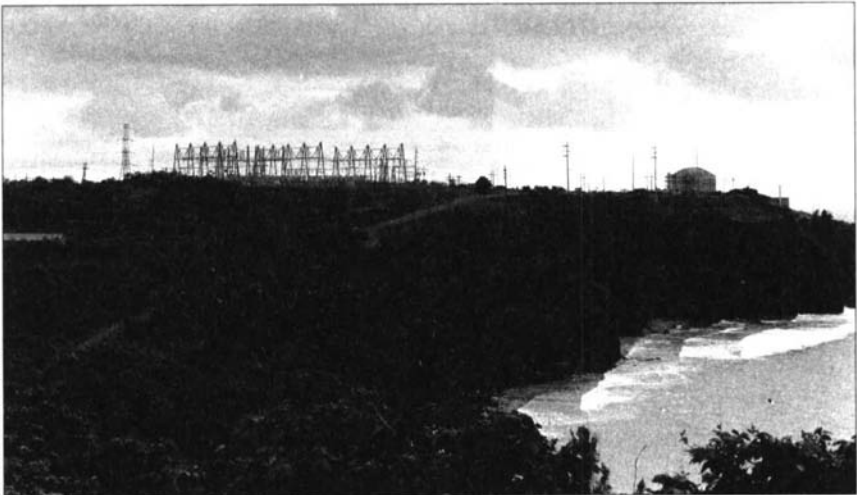
## **WAYS FORWARD ON TRADE AND DEBT**

The crux of the challenge facing Northern policy makers is to reduce the external pressures which hinder a return to economic growth in the South. Above all, this means they must assume responsibility for ending the transfer of resources from poor countries to rich, whether in the 'disguised' losses associated with declining terms of trade, protectionism and transfer pricing by transnational companies, or in debt servicing.

In an increasingly interdependent world, it would be foolhardy to suggest any diminution in the volume of world trade. What the South needs is to trade with the North on more favourable terms. There are a number of ways forward. At their current depressed levels, primary commodity prices do not provide a fair return to producers and they do not allow for ecologically sustainable production. Governments in the North and South cannot avoid assuming responsibility for regulating supplies in order to raise producer prices. There is also a need to end protectionist and other trade barriers, to widen Third World access to Northern markets and to allow value to be added to primary commodities in producer countries. Selective protectionist measures aimed at safeguarding both local food security and the environment

should be permitted within the framework of the GATT. Governments in the North could implement policies designed to stop the dumping of their subsidised agricultural exports on world markets in unfair competition with Third World produce. Finally, any new trading organisation set up to replace the GATT could be charged with improving appropriate technology transfers to the South, controlling the activities of transnational corporations and protecting the environment.

Governments in the North have now recognised that economic recovery and sustainable development in the South will not happen unless debt burdens are substantially reduced. But progress is slow. Some 60 per cent of Southern debt is owed to private creditors, mainly Northern banks. This commercial debt is concentrated in some 20 middle-income countries, although low-income countries also face a heavy burden. In 1989, the Brady Plan proposed official financial support – of some US\$30 billion – for countries seeking voluntary debt and debt service reductions with private banks. So far, the results have been disappointing: of the five agreements concluded, only those involving Mexico and Costa Rica have brought significant reductions. Meanwhile, debt arrears have accumulated in other debtor countries, especially in Latin America. Resources under the Brady Plan are recognised to be inadequate and private banks have failed to play a positive role in negotiating debt reductions. This has strengthened calls for a new multilateral agency to buy up and reschedule outstanding bank debt, and for more government pressure on banks to reduce debts.



*This nuclear power station in the Philippines will never produce electricity, because it has been built on a natural fault line and would be too dangerous to operate. Yet the enormous cost of construction is still being paid for in debt servicing – at the rate of almost £200,000 a day.*

On official debt, the British government has taken a lead. It has persuaded the 'Paris Club' of official creditors to adopt more radical measures for debt reduction, known as the Trinidad Terms. In his original proposals, the then Chancellor, John Major, called for two-thirds of debt stock to be cancelled, with the rest to be rescheduled over 25 years. Other governments have diluted these proposals, so that the final package allows for only one half of debt service obligations to be written off. Even so, the latest agreement, adopted by the Paris Club in December 1991, will bring substantial relief to severely indebted low-income countries. Oxfam believes that governments should be pressed to implement in full the original Trinidad Terms, and to extend the provisions, in special cases, to severely indebted middle-income countries.

Likewise, whilst economic reform is necessary in many Southern countries, structural adjustment programmes need to be redesigned to enhance the prospects for sustainable development. Policies designed for economic growth can also reduce poverty if investment in social welfare, job creation and sound environmental management increases. Measures to protect vulnerable people and their environment need to be integral to the design of adjustment programmes, not added on as supplementaries.<sup>29</sup>

### **AID: VALUE FOR MONEY?**

At a time of unprecedented need, when the interlocking trade and debt crisis is straining Southern economies as never before, investment and aid flows from Northern countries are stagnating or falling in real terms. Since 1969, when the UN called for developed countries to give 0.7 per cent of their GNP in development aid, very few donors have come anywhere near this target. On average, they contribute 0.33 per cent, and almost a half of this aid goes to high- and middle-income countries. The UK is fourteenth in the league table of OECD donors, with an aid budget down to 0.27 per cent of GNP in 1990 from 0.47 per cent in 1965.<sup>30</sup>

Foreign aid underwrites a major part of development expenditure in many Third World countries. But, against the background of economic crisis, and mismanagement and lack of political will on the part of Third World governments, international aid is making little impact on poverty. At best good aid is being wasted; at worst bad aid is blocking sustainable development.

In 1990, the UN Summit for Children set certain modest goals for Third World development by the end of the century.<sup>32</sup> To achieve these goals, an extra US\$20 billion would have to be committed. If all OECD members had reached the 0.7 per cent minimum of aid spending in 1989, this would have generated an extra US\$52 billion. Such an increase is not



**Fig 10.2****Official Development Assistance as a per cent of GNP for OECD countries**

Norway	1.17
Netherlands	0.94
Denmark	0.93
Sweden	0.90
France	0.79
Finland	0.64
Belgium	0.45
Canada	0.44
Germany	0.42
Australia	0.34
Italy	0.32
Japan	0.31
Switzerland	0.31
UK	0.27
Austria	0.25
New Zealand	0.22
USA	0.21
Ireland	0.16

Source: *British Overseas Aid*, (1990).<sup>31</sup>

beyond the economic power of donor countries: the World Bank has estimated that a cut of just 10 per cent in the military spending of NATO members could allow a doubling of aid budgets.<sup>33</sup>

### The quality of aid

While there is an urgent need for increased aid, the quality of aid is as important as the quantity. What is crucial is who gets the assistance and what it is used for.

Some blame for the failure of the 1980s' 'lost decade' of development must be apportioned to official aid agencies. Billions of dollars were poured into development assistance (much of it in the form of loans rather than grants) but this failed to solve the problem of mounting poverty. Indeed, all too often, it helped local elites to increase their power and personal fortunes. Together with the loans that were readily available from Northern banks throughout the 1970s, development assistance often funded expensive 'white elephants' – projects which have done little for economic growth but which have contributed greatly to the Third World's mounting debt burden and environmental problems.

The once popular theory of the 'trickle down of wealth' had largely been discredited (it being apparent that the poor rarely benefit

from economic growth unless there are government policies to ensure that they do). It had become evident that the 'trickle down of poverty' is a surprisingly efficient mechanism. When the screw is turned, those with power can readily ensure that it is not they, but someone weaker, who feels the squeeze. Hence rich governments were able to push the burden of recession on to poor countries; the elite in poor countries were able to pass on the burden to their poorer neighbours, and through short-sighted mining of the environment, the burden is being passed on to those whose voice is the weakest of all, because they are not yet even born.<sup>34</sup>

Brazil is one of the World Bank's largest borrowers and, at the close of the 1990 financial year, it accounted for almost 10 per cent of accumulated Bank lending. Much of the funding for the rapid development and colonisation of the Amazon was provided by the World Bank, which during the 1970s and 1980s implemented a number of large projects ranging from power generation to integrated rural development. On the World Bank's own admission, many of these projects contributed significantly to Brazil's subsequent environmental problems. Added to this, Brazil, which is the tenth largest economy in the world, has become one of the world's most unequal societies:

Brazil continues to register one of the most skewed income distributions in the world, as the wealthiest 10 per cent of the population claimed 46 per cent of the national income in 1985, while the lowest 20 per cent received just 2.4 per cent.<sup>35</sup>

The benefits of aid were clearly not evenly distributed: during the 1980s the number of Brazilians living in absolute poverty rose from 29.4 million to 44.8 million. Large-scale export production was promoted at the expense of the production of food for internal markets. By 1985, according to FAO, 85 million Brazilians were consuming fewer than 2,240 calories a day (considered to be the minimum daily requirement) and were classified as undernourished.

### **Aid and poverty**

The proportion of donor spending aimed at poverty alleviation is still small in comparison with that given for large capital projects such as dams and power plants. In India, during the 1980s, only 17 per cent of British bilateral aid was spent on reducing poverty, while 76 per cent went to infrastructural projects in mining, civil engineering and power generation. There is little evidence that this kind of expenditure assists the poor, indeed it can be positively damaging to them.

A high proportion of the bilateral aid from EC member states is tied – that is, aid is conditional on procurement in the donor country. The recipient has little or no choice in the purchase of materials, even though more appropriate goods may be available locally or from another exporter. Tying of aid also places undue emphasis on projects with a high import component, compared with those which may need more investment in management and personnel (such as the Primary Environmental Care projects, described in Chapter 2). In 1990, 62.2 per cent of Britain's public expenditure on aid was tied, one of the highest proportions of all OECD countries.<sup>36</sup> At EC level, the amount of tied aid stands at some US\$10 billion – or 58 per cent of the total bilateral aid budgets of member states.

But the untying of aid would not automatically help developing countries. While aid donors may be less tempted to design aid programmes and projects to benefit their own industries, increased competition for aid contracts may still not benefit Third World companies, unless they are given priority in bidding for them.

### **Large projects: the problems of resettlement**

Most infrastructural projects are geared towards building up a country's industrial base and promoting the large-scale production of crops, often for export. All too often, they have had disastrous impacts on the rural poor. During 1979-1985, 39 dam projects were approved for financing by the World Bank in 27 countries and these entailed the relocation of 750,000 people who lived in the reservoir areas. Every year, between 1.2 million and 2.1 million people are displaced worldwide as a consequence of new dam construction. Aggregate statistics for China, for example, document that the water conservancy projects of the last 30 years have caused the evacuation of over 10 million people. Other infrastructural programmes also involve land expropriation, depriving many families of their habitat and livelihoods and forcing them to relocate. Some estimates put the numbers of people affected by such programmes in India during the last four decades as perhaps 20 million. And it is likely that involuntary displacement will increase further as part of future urban and agricultural development.<sup>37</sup>

In the late 70s and early 80s Oxfam field offices in India and Brazil became increasingly concerned about the forced displacement of tribal people and peasant families. Partner organisations (with Oxfam support) began to press for adequate compensation for people affected by large dams and this developed into an active campaign by Oxfam and others to press the World Bank to establish effective resettlement and rehabilitation policies.

Sociologists working for the Bank also took issue with the way in

which forced displacement had been treated simply as an administrative problem. They pointed out that consulting firms who designed the projects usually left out population relocation from their feasibility studies and cost estimates, disregarding the traumatic social and personal effects of resettlement.

When people are forcibly moved, production systems are dismantled. Long-established residential communities and settlements are disorganised, while kinship groups and family systems are often scattered. Life-sustaining informal social networks that provide mutual help are rendered non-functional. Trade linkages between producers and their customer bases are interrupted, and local labour markets are disrupted. Formal and informal associations or self-organized services are wiped out by the sudden departure of their membership, often in different directions. Traditional authority and management systems tend to lose their leaders. Abandonment of symbolic markers, such as ancestral shrines and graves... sacred mountains, water courses and trails, severs physical and psychological linkages with the past and saps at the roots of people's cultural identity...The cumulative effect of all these processes is that the social fabric is torn apart.<sup>38</sup>

The common factor underlying all the different consequences of displacement is the onset of impoverishment. Extending far beyond its immediate and visible effects, forced displacement can lead to a spiral of deepening poverty which amplifies the initial damage.

During the oil crisis of the 1970s, Brazil made energy production a priority. In 1974, the World Bank approved a loan for the Paulo Afonso IV Hydropower Project on the São Francisco River, which included the construction of the Sobradinho regulating dam. Although the project increased the generation and distribution of electric power throughout North East Brazil, it forcibly resettled some 70,000 people, 30,000 of whom received little or no compensation. According to the Bank's own subsequent evaluation, the project has had serious environmental consequences; it has destroyed livelihoods and increased poverty and human suffering.

In 1980, in the light of both external criticisms and internal pressure for change, the World Bank became the first multilateral development bank to issue a resettlement policy. After a number of subsequent revisions, this policy now provides a set of guidelines by which the Bank deals with resettlement. Involuntary displacement is to be avoided because of its disruptive and impoverishing effects. Where displacement is unavoidable, resettlement plans are to be formulated with due care given to people's needs and to environmental protection. Displaced

people are to be compensated for their losses at replacement cost, given opportunities to share in project benefits, and assisted with the move. Indigenous peoples, ethnic minorities, pastoralists, and other groups that may have informal customary rights to the land or other resources taken from them by the project must be provided with adequate land, infrastructure and other compensation. The fact that such groups lack formal legal title to land is not a reason for denying compensation and rehabilitation.

These resettlement guidelines (which in December 1991 were adopted by all the major aid donors at the OECD's Development Assistance Committee) are an important advance, but problems remain with their effective implementation. Borrower governments have the final responsibility and have often proved reluctant to comply with the new policy.

In 1987 the World Bank approved a loan for its first free-standing resettlement project – the Itaparica Resettlement and Irrigation Project. In 1988 when the Itaparica reservoir (downstream of the Sobradinho dam) was flooded, over 65,00 people were relocated from the fertile lower São Francisco Valley in the states of Pernambuco and Bahia to a semi-arid zone. The Polosindical, a rural trade union consortium which led the long campaign for compensation, negotiated a resettlement agreement with the São Francisco Hydroelectric Company (CHESF) which built the dam. However, this agreement was only reached after an occupation of the Itaparica dam site that brought work to a standstill for six days. At this point the World Bank stepped in and agreed to finance the Itaparica Resettlement project.

Itaparica marked a breakthrough in the treatment of displaced people. But although the families have now been rehoused, their claims to land have not been met, irrigation has yet to reach all but one of the new agricultural areas and CHESF's monthly payments to each family have fallen below the agreed figure. Repeated failures of the Brazilian government to comply with the terms of the World Bank loan could mean the cancellation of Bank funding for the entire project and even greater hardship for the displaced families.<sup>39</sup>

Oxfam's research on the effects of big projects confirms that if development assistance is to meet the needs of the poorest people and promote sustainable development, then aid programmes and projects must adopt four essential components – a poverty focus, popular participation, gender awareness, and full environmental appraisal.

### **Large projects: the development of environmental guidelines**

During the early 1980s, World Bank operations in Brazil came under increasing scrutiny from the burgeoning environmental movement. The

European Community was criticised by two British NGOS (Survival International and Friends of the Earth) for its contribution to the World Bank-funded Projecto Grande Carajás, without any prior environmental impact assessment. This project has led to the devastation of Indian lands and destruction of much of the rainforest of the Eastern Amazon.

US pressure groups like the Environmental Defense Fund sought Congressional support for the suspension of loans for projects like Polonoroeste, an integrated rural development project in Rondônia, Brazil, which had brought social and ecological disaster.

The Polonoroeste project began as an attempt to create a self-sustaining agricultural frontier which would also protect the environment and indigenous groups. It ended up as the most notorious, the most expensive and the largest failure of development planning in the history of Amazonia.<sup>40</sup>

One result of this criticism of World Bank funding for Polonoroeste was that the then President of the Bank, Barber Conable, initiated a series of internal reforms in 1987. By 1990 the Bank's environmental staff had increased tenfold and environmental concerns were beginning to be integrated into country development strategies through the preparation of environmental action plans. According to a recent Bank report, environmental strategies will have been prepared, by mid 1993, for the 130 or more countries which are members of the International Development Association (an affiliate of the Bank which provides assistance to poorer developing countries).<sup>41</sup>

At the end of 1989, the Bank's Operational Directive on Environment Assessment was approved. The directive is supposed to ensure that an environmental assessment is carried out for all projects that may have a significant and negative impact on the environment. The Bank's four regional Environment Divisions coordinate and oversee the process of environmental assessment, which remains the responsibility of the borrower government. Pipeline projects are classified according to their likely environmental impact, with Category A projects requiring a full and detailed environmental assessment. Category B projects are subjected to a more limited analysis, and Category C projects are deemed not to require any assessment.

One important innovation is that Bank staff are now expected to seek the views of people who may be adversely affected by a proposed project. The Bank now acknowledges that project success often depends on effective local participation throughout the project cycle.<sup>42</sup>

Over the past ten years, most bilateral agencies such as the ODA have strengthened both their environmental procedures and the institutional arrangements for implementing them.<sup>43</sup> Though the development of

these and the Environmental Assessment procedures at the World Bank and other multilateral development banks is an important step forward, much still depends on the political will of the borrower governments. Local communities and NGOs are usually denied access to project proposals and to confidential environmental assessment reports. The attitude of Bank staff responsible for projects is crucial: most still see their primary objective as fulfilling lending quotas rather than ensuring environmental sustainability. An internal memorandum from Lawrence Summers, the Bank's Chief Economist argued (allegedly tongue in cheek) that 'the economic logic behind dumping a load of toxic waste in the lowest-wage country is impeccable'. His observation that 'underpopulated countries in Africa are vastly under-polluted' will have done little to reassure public opinion that the Bank, at its most senior levels, is indeed set on a course of promoting sustainable development.<sup>44</sup>

### **New challenges for aid**

The key issue which has influenced official aid policy so far in the 1990s is the importance of 'good governance'. There is growing recognition that economic reform has failed to deliver equitable development. This recognition, together with the political developments in Eastern Europe and South Africa, have ensured that democratisation and its relationship to development have become major themes of the official aid debate. But much depends on what is understood by democratisation and how it is translated into action. At present, aid donors make much of the need for good governance, yet only parts of their aid budgets are directed to ensuring this. Official support for democratisation is at times in danger of being sacrificed for rival economic or political goals.

Promoting poor people's rights to participate in the political decisions which affect them has long been a hallmark of Oxfam's work. For many years, the experience of working in situations of armed conflict and of providing support for groups which challenge the causes of poverty, has confirmed that greater empowerment of poor people is a necessary precondition for their development. What counts for Oxfam is that the process of democratisation should include three essential elements: democratic access to political power and equality of economic opportunity; the introduction of democratic institutions which respect human rights and help to resolve conflict; and the implementation of mechanisms for full popular participation.

The new international consensus on the importance of democratisation creates an unprecedented opportunity for official resources to be directed towards people-centred development. The positive new emphasis in donors' statements on the importance of popular participation, poverty reduction and sound environmental management

now needs to be translated into practice. One priority is for donors to increase the volume of aid spending, over five years, to reach the UN target of 0.7 per cent of GNP. Meeting the UN target means a virtual doubling of the British aid budget: the challenge is to achieve this as soon as possible while at the same time improving aid quality. One way towards this goal is to direct a larger proportion of aid to the poorest groups and make Primary Environmental Care programmes and projects a priority for aid spending – perhaps by channelling more aid through appropriate NGOs whose projects meet the new social and environmental criteria. Effective development assistance could not only promote PEC projects and programmes, but also help to create an enabling context at national level in which PEC can flourish.

## **EXTRA RESOURCES**

In addition to more and better quality aid, and action on trade and debt, other new financial mechanisms are needed to accelerate progress towards sustainable development, not least to enable Southern countries to adopt appropriate technologies. There are various ways in which the flows from the rich world to the poor world can increase – greater spending through UN institutions, the transfer of revenues from an energy tax in the North, and through more environmentally sound private investment.

### **Global Environment Facility (GEF)**

The GEF is a multilateral fund set up in 1990 to help developing countries address global problems – ozone depletion, climate change, loss of biodiversity and the pollution of international seas. The GEF is jointly managed by the World Bank, UNDP and UNEP and the funds committed to it must be in addition to existing aid flows. Its objective is to enable donors and recipients (as well as other agencies) to develop a better understanding of the global environment and promote the action necessary to protect it. To the annual GEF budget of US\$1.5 billion, Britain pays £40.3 million (and a further £9.4 million under the Montreal Protocol fund to help Southern countries phase out chlorofluorocarbons).

Projects under the GEF must be based in a developing country with a per capita income of less than US\$4000, and show substantial benefits for the global community (how indirect this can be is not yet clear). Projects are to be innovative, sustainable and take account of the interest of local people, and there is a Small Grants Programme to encourage small-scale ventures by NGOs and community groups.<sup>45</sup>

The priorities of the GEF are drawn from a Northern environmental agenda. During 1991, NGOs and others registered concern over a number of matters, including the GEF structure and management, and



the increasing dominance of the World Bank. They fear that GEF funding may divert attention away from the need for reforms in Bank lending practices as a whole. The GEF does not yet have an obvious mechanism for finding out and taking account of local views. So far, it lacks any commitment to the ideal of public accountability. While participating donor governments have subsequently agreed to review the scope and structure of the GEF, doubts remain about its effectiveness.

## **THE WIDENING GAP**

Repeated emergencies in the Third World reinforce the commonly-held notion that the rich North is transferring vast sums of money to the poor South. Nothing could be further from the truth. The reality is that, over the last decade, there has been a net transfer of funds from South to North. According to the OECD, between 1982 and 1990, total resource flows to Third World countries amounted to US\$927 billion. Over the same period, these countries paid out US\$1345 billion in debt service alone.<sup>46</sup> The figures for resources transferred showed a steady increase, and in 1989, the net transfer from South to North had reached US\$51 billion.<sup>47</sup> Although the transfer from South to North was reduced in 1990, the World Bank predicts that the net flow of financial resources from the poor world to the rich world will continue until the mid 1990s, and possibly beyond.

For poor countries in the South, the interlinked trade and debt crisis presents a major obstacle to sustainable development. These structural inequities between North and South, and within the South, underly deepening poverty and rapidly deteriorating environments. The problems can be tackled, but only if governments in the North and the South show the political will to address them. The final chapter of this book offers an agenda for action.

# 11

## NO TIME TO WASTE: AN AGENDA FOR ACTION

Will the growing awareness of 'one earth' and 'one environment' guide us to the concept of 'one humanity'? Will there be a more equitable sharing of environmental costs and a greater international interest in the accelerated progress of the less-developed world?

Indira Gandhi, Stockholm 1972

**T**wenty years on, there are still no answers to the questions asked by Indira Gandhi at the first United Nations Conference on the Human Environment in 1972.

All the chapters of this book have stressed how dependent the poorest people are upon the natural environment, and how that environment is degrading fast, perhaps faster than at any other time. Many poor people use natural resources wisely, conserving them for the future. Yet a growing number have no option but to damage their environment further in the daily struggle to stay alive, forced into a downward spiral of increasing poverty as they over-exploit natural resources which they have traditionally managed in sustainable ways.

Their actions are driven by poverty but compounded by environmental changes which have their roots elsewhere. Economic development that serves the interests of a minority whilst threatening the livelihoods of poor communities, unjust terms of trade, crippling debts and armed conflict all contribute to environmental destruction. Alongside the inequities in North-South relations are the corruption and greed of powerful minorities in the South. All these factors keep poor people trapped in their poverty.

In spite of everything, against all the odds, poor communities are responding to environmental damage by evolving more resilient ways of living. For 50 years, Oxfam has been working at grassroots level with some of the poorest people, supporting them as they cope when their environments are under threat. But Oxfam believes that poor people cannot be expected to conserve resources for the future when they are

struggling for survival now. It is equally unfair for the high-consuming, high-polluting countries of the North to expect people and governments in the South to protect their resource base, unless the North shows the political will to address global poverty, and reduce its own contribution to environmental destruction.

Throughout this book, the links between environmental degradation and poverty have been stressed. There is an urgent need to tackle both. Reducing poverty could relieve the pressure on poor people to exploit natural resources when they have no other option. Environmental regeneration provides one way out of the vicious spiral of a deteriorating resource base and increasing poverty.

This final chapter concentrates on Oxfam's priorities for translating its vision of a fairer, more sustainable world into the practical action to achieve it.

## **UNCED**

The United Nations Conference on Environment and Development (UNCED) in Rio de Janeiro, offers a unique opportunity to make tangible progress towards more equitable and sustainable development – in both the North and the South. But, at the time of writing, the agenda is dominated by Northern concerns about the symptoms of the crisis and there is no sign of the political will necessary to tackle the underlying causes. From Oxfam's perspective, it is crucially important that the action agenda of UNCED ('Agenda 21') promotes changes aimed at reducing poverty as well as threats to the global environment.

People in the South want more rapid progress towards democratically accountable governments that are committed to equitable development. But change in the South must be met by an adequate response in the North. There is an urgent need for greater equity in North-South relations, including action on fairer terms of trade, debt reduction, improved aid and additional financial resources for the South, and the transfer of appropriate technologies and information.

Targets agreed at the Earth Summit have to be backed by the necessary institutional support for progress to be reviewed. Agenda 21 and its follow-up strategies for action need to be implemented at all levels from village associations to the UN Security Council. The rest of this chapter sets out some of the issues which require action at local, national and international levels.

## **SUSTAINABLE DEVELOPMENT AT THE LOCAL LEVEL**

### **Primary Environmental Care**

For development to be sustainable, it has to be about change: change shaped by people to meet their perceived needs. This change must be

firmly rooted at the local level, but must be carried through to regional, national and international levels. From an Oxfam perspective, the most effective approach to sustainable development, especially at the local level, is the three-pronged approach which has come to be known as Primary Environmental Care. This involves popular empowerment, securing basic rights and needs and caring for the environment, and as Chapter 2 argued, PEC is a strategy that will succeed only if all three elements are tackled together.

- Oxfam believes that faster progress towards sustainable development can be made if governments, aid agencies, non-governmental organisations and the private sector all promote the practice of Primary Environmental Care.

At present, PEC is a response to locally expressed needs for environmental and social changes, preventative as well as curative, which go well beyond any technical solutions. Many wider environmental problems are aggregations of local problems: if replicated widely enough, the PEC approach could contribute to the solution of global problems such as deforestation and the loss of biodiversity.

Whilst Primary Environmental Care is principally a strategy for achieving change at local level, it will not succeed without a supportive national and international framework and the political will to tackle the obstacles to sustainable development operating at these different levels.

## **Women**

The vital role of women as environmental carers and managers has been emphasised throughout this book. Oxfam believes that sustainable development can only take place when women have the power, status and independence to shape the decisions which profoundly affect their lives, including those which relate to the environment. Chapter 2 argued for positive action by many institutions to recognise and enhance women's role in caring for the environment and its resources. Practical action at all levels will be needed to:

- reduce the continuing damage to women brought about by misguided development policies and individual development projects (aid agencies, for example, will need to introduce early project screening procedures to assess potential problems and opportunities for women);
- improve the capacity of women and their organisations to be effective environmental resource managers and to benefit directly from this role (this will require, for example, greater empowerment and participation of women in development decisions, with

increased training and the deployment of more women as project managers and extension workers, and action to reduce their work burdens);

- enable women to use and share their knowledge and traditional skills (through, for example, exchanges of project personnel within and between countries in the South and between the South and the North).

## **SUSTAINABLE DEVELOPMENT AT THE NATIONAL LEVEL**

### **Democratisation**

Oxfam's experience suggests that popular participation in decision making, and democratic accountability are key factors in moving towards sustainable development. Three aspects of democratisation are especially important.

First, there is the issue of 'fair shares' – democratic access to political power, and equality of economic opportunity. The absence of 'fair shares' results in stark contrasts between rich and poor, marginalisation of the powerless, and environmental degradation. The systematic marginalisation of people – expressed in ethnic, class, ideological, religious or geographical terms, is at the root of armed conflict. Sustainable, peaceful development cannot be achieved against a background of structural inequality. Secondly, there is a need for democratic institutions which respect human and minority rights and are capable of resolving conflicts peacefully. And thirdly, democracy means people having a fair say in the formulation of policies and programmes which affect their lives. A democratic society means open, responsive and accountable government.

### **Equity**

Governments have also to tackle the massive inequalities in people's access to resources of all kinds, including water and land. People must be enabled to secure their basic rights and needs – for food, shelter, education, employment, health care and access to the means to control fertility. Investment in human resource development is a fundamental requirement for economic growth, and should be a priority in economic reforms.

### **Reduced military spending**

Excessive military expenditure is diverting limited resources away from more productive investment in people-centred development, particularly in meeting health, education and employment needs. The problems are acute in some of the world's poorest countries, where

enormous suffering is caused both directly by armed conflict and indirectly through the diversion of scarce resources. A significant reduction in military expenditure could release resources to be used for sustainable development.

### **Population**

Oxfam's work suggests that the impact of high population growth rates is one of several complex and interacting factors which impede sustainable development in some developing countries. There is considerable evidence to show that, especially in the context of the health of women and children, control of fertility is an unmet need. It is also a democratic right – especially for women – and a demographic necessity. Chapter 9 argued that when rapid population growth is a problem, it is best addressed through an integrated approach which tackles poverty, improves the education and status of women, and widens access to appropriate birth planning services in the context of effective primary health care.

### **Environmental care**

To implement effective programmes of environmental care, many Southern governments will require significant additional funding as well as the transfer of appropriate technologies and information on fairer terms.

Some of the poorest people in the South are most threatened by the impact of global environmental degradation, and governments in the North are beginning to recognise their responsibility for contributing to the problems. But it is time for these responsibilities to be reflected not only in policies at national level, but also in the international agreements now under negotiation.

It is generally recognised that two principles are vital to policy development: the 'polluter pays principle' so that industrialised countries accept full responsibility for their role in causing such environmental problems as global warming and ozone depletion; and the 'precautionary principle' – that, in the absence of conclusive scientific evidence, policies which have environmental implications are formulated and implemented with care and restraint.

### **Climate change**

Global warming is likely to lead to climatic and ecological changes which could severely threaten food production, water supplies and increase the frequency of extreme weather patterns. Greenhouse gas emission from human activity is a major contributing factor to global warming and it is the industrialised countries, with their high energy

consumption, that are primarily responsible. Countries in the South believe that they will have to increase their greenhouse gas emissions in the short term, in the interests of their own development, so this places an even greater responsibility on the North to reduce emissions, if global warming is to be slowed down. Energy-saving technologies need to be adopted, certainly in the North, but also in the South, particularly by the larger and more industrialised countries such as Brazil, India and China.

The commitment of the countries of the European Community to stabilise carbon dioxide emissions at the 1990 level by the year 2000 is welcome as a limited objective for tackling global warming. But this commitment needs to be acted on as soon as possible. Some see the implementation of an energy tax as one way towards tackling the problem. A percentage of the revenues generated by such a tax could be a source of additional funds for sustainable development in the South.

Fundamental changes will be necessary in energy and other resource consumption patterns in the North. These could include:

- greatly increased emphasis on reducing energy consumption;
- investment in energy conservation and efficiency programmes to meet social as well as environmental needs;
- more research into, and implementation of, renewable energy strategies;
- pricing of energy supplies to reflect the true social and environmental costs.

## **SUSTAINABLE DEVELOPMENT AT THE INTERNATIONAL LEVEL**

There is growing recognition of global interdependence over problems such as global warming, deforestation, the narcotics trade and migration. Countries in the North as well as the South are now concerned about the impact of some of these problems on them – and this provides an incentive to negotiate on solutions.

At the same time, the countries of the South argue that it is their sovereign right to use their resources to advance economic development. In an increasingly interdependent world, this gives the South a bargaining counter in its negotiations with the North. But the prospects for sustainable development, and the success of the UNCED commitments and continuing negotiations, are poor unless inequities in the international economic system, which underlie poverty and foster the unsustainable use of resources, are reduced.

- It is vital that the environmental and social implications of trade,

debt, structural adjustment programmes and aid policies are addressed, with proposals for early action on these issues.

## **Trade**

As the previous chapter outlined, the interlinked problems of heavy dependence on commodities and declining terms of trade are shared by many of the countries in which Oxfam works. There are a number of possible ways forward, to benefit poor producers and commodity-dependent countries:

- Governments in the North and South could seek to regulate Commodity Markets so that prices are maintained at levels that reflect the ecological costs of production and give a fair return to producers.
- Northern governments could improve developing countries' access to markets in the North, in particular by reducing tariff escalation and withdrawing discriminatory non-tariff barriers to trade.
- Mechanisms could be established to counteract transfer pricing and other restrictive business practices.
- Governments in the North could implement policies designed to stop the dumping of subsidised agricultural exports on world markets in unfair competition with the Third World produce.
- Any new trading organisation to replace the GATT could be charged with improving appropriate technology transfers to the South and protecting the environment.

## **Debt**

Oxfam has direct experience of the negative social and environmental impacts of the debt burden in many of the countries in which it works. The transfer of funds from South to North for debt servicing is draining resources urgently needed for development and to reduce poverty. The World Bank predicts that the net flow of wealth from the poor to the rich nations will continue at least until the mid-1990s and possibly beyond. Action on debt reduction is urgently needed at international level, and Oxfam suggests this could include the following measures:

- Building on the Trinidad Terms initiative, more creditor governments could implement significant debt reduction for the poorest, most indebted countries and increase the proportion of debt eligible for write-off from 50 per cent to two-thirds.
- At the same time, flexibility is required in applying eligibility



criteria so that these recognise alternative structural adjustment programmes which prioritise social and environmental action alongside economic growth.

- Similar terms for official debt reduction are needed by other indebted Third World nations which are currently ineligible because they are not low-income countries.
- A substantial proportion of private commercial debt could be written off, with mechanisms established for refinancing on concessional terms.
- Action could be taken to ease the burden of servicing the debts owed to multilateral institutions, such as the World Bank and IMF.

### **Structural adjustment**

Debtor nations have been encouraged to adopt structural adjustment programmes. Oxfam has direct experience of the serious impact on poor people of the cuts in government expenditure introduced under these programmes. Whilst far-reaching economic reforms are necessary in many countries to achieve growth and sustainable development, the needs of the poor should be paramount in any structural adjustment programmes.

- Structural adjustment programmes in poor countries can be designed to promote poverty alleviation alongside economic growth and to safeguard crucial investment in human resource development, health care and environmental protection and improvement.
- Structural adjustment policies could be reviewed to shift their focus towards domestic needs and reduce the over-supply of primary commodities on world markets.

### **Aid**

At a time of unprecedented need, aid flows have been falling, with UK development assistance now down to 0.3 per cent of GNP (in 1992). More and better quality aid is required. The positive new emphasis in donors' statements on the need for poverty reduction, environmental management and popular participation is welcome, and can be translated into practice by:

- setting a five-year timetable for increasing the volume of aid to meet the UN target of 0.7 per cent of GNP;
- making local level Primary Environmental Care projects a priority for aid spending.

Aid donors could foster the linkage of democracy with development by making aid conditional on the following criteria:

- people having democratic access to political power with equality of economic opportunity;
- the maintenance of democratic institutions, the rule of law, respect for human rights and a free press;
- people having a decisive voice in issues which affect their lives and development.

### **Financial mechanisms**

In addition to greater equity in the international economic system, other new financial mechanisms are needed for faster progress towards sustainable development. Ways in which the volume of North-South financial flows can be increased include:

- greater spending through UN institutions;
- the transfer of revenues from a tax on Northern energy consumption;
- more environmentally sound private investment.

### **The Role of the United Nations**

The UN has a vital part to play in the move towards sustainable development, peace and greater North-South equity. But this will require member nations to take immediate steps to invest the UN with a more effective role in mediating armed conflict, protecting human rights, curbing the arms trade (notably through the UN Arms Register) and improving the environment. The distinction between 'environment' and 'development' programmes has little meaning in practice and could usefully be replaced by programmes based on 'sustainable development'. Within the context of a strengthened UN, action to promote sustainable development and to tackle the underlying causes of poverty and environmental degradation can be accelerated by increasing the effectiveness and budget allocations of UN agencies.

### **Conventions and agreements**

Efforts to develop legally binding Conventions on Climate Change and Biodiversity and a Statement of Forest Principles have been under way for several years. But they are unlikely to be concluded in time for the Earth Summit. The gap between North and South in all these negotiations is extremely wide and the needs of the world's poorest

people are not adequately recognised. A major difficulty lies in the reluctance of the North to provide more funds for the South. The Conventions are likely to fail unless the North agrees to give additional funds to the South.

- In Oxfam's view the needs of poor people have to be fully addressed in international agreements currently under negotiation.

### **Convention on Climate Change**

Poor people in many countries where Oxfam works are at risk from climate changes which are predicted to result from global warming.

- If major climatic disasters and continuing environmental degradation are to be avoided, and opportunities for development in the South to be enhanced, then the North will need to recognise its major responsibility for global warming, reduce energy consumption, increase energy conservation and efficiency, and the use of renewable energy sources.
- Appropriate mechanisms for funding and technology transfer will need to be agreed for Southern countries themselves to pursue policies of energy conservation and efficiency.

### **Convention on Biodiversity**

Countries in the South are rich in biological diversity but its continuing loss is undermining options for the future. The best way to ensure the long-term conservation of biological diversity in the South is through the promotion of sustainable development and a balanced agreement on access to genetic resources and appropriate technologies.

- The Biodiversity Convention could promote fairer access to genetic resources, to the research based on them and to appropriate technologies. It could ensure that national laws and policies, and international agreements such as the GATT, particularly on intellectual property rights, do not restrict access.

For the Biodiversity Convention to be successful in practice, it is important that small farmers, many of whom are women, and indigenous communities, participate fully in decision making. They have to be able to assume a major role in managing – and benefiting from – the biological resources on which they rely. These measures could be integrated into Primary Environmental Care projects and include:

- protecting and enhancing local knowledge and innovations;
- strengthening locally based conservation, research and development;

- greater participation of local communities in formulating and implementing national plant genetic resources programmes and those of the International Research Centres.

### **Agreement on the protection of forests**

Chapters 1 and 6 described how the world's forests are disappearing at an ever-increasing rate. Forest losses threaten the livelihoods of many millions of traditional forest people and have far-reaching implications for biological diversity, global warming, and climate patterns.

Despite international concern over deforestation, the gap between North and South is very great on this issue. The North is calling for an agreement to protect tropical forests, whilst the countries of the South are insisting on their sovereign right to develop their forests and trade in forest products in the ways they choose. Given the rate of forest destruction, securing some agreement is vital. The root causes of deforestation, which often lie in the international economic system and in the spread of poverty, are central to the discussion and to any agreements to deal with the issue.

Deforestation is likely to bring an increase in poverty rather than its resolution. Governments wishing to avoid forest loss have a variety of options; but they need to look at the social inequalities which underlie deforestation, such as the lack of land rights for poor people. From its experience in working with forest dwellers, Oxfam believes that progress could be made by concluding agreements which:

- take into account the needs of large numbers of people (including indigenous communities) whose livelihoods depend on forests. These 'guardians of the forest' deserve to be recognised and suitably compensated for their role in forest management;
- promote popular participation in a decentralised manner taking special account of women's changing activities in the community;
- ensure that if plantations or forest reserves are created, they do not displace landless peasant families offering them little alternative but to encroach on other fragile lands;
- address the question of land rights;
- include a moratorium on rainforest destruction, and a major aid programme to invest in the infrastructure required to set forest products and the livelihoods of indigenous forest dwellers on a firm economic footing;
- address the issue of appropriate technology transfer: developing countries have been calling for this in return for taking steps to limit deforestation;

- incorporate the concept of Primary Environmental Care into any measures concerning deforestation and forest policy.

### **The Global Environment Facility (GEF)**

The Global Environment Facility's objective is to enable donors and recipients, as well as international agencies and others, to develop a better understanding of the global environment and to promote action to protect it. Oxfam suggests that:

- the GEF be regarded as complementary, but not an alternative, to moves towards debt reduction, fairer terms of trade or other means of providing extra financial resources for the South;
- the GEF is not used as a means of mitigating the harmful effects of World Bank projects where the issue is their fundamental redesign;
- the management of the GEF be shared equally between donors and recipients; NGO views on the management structure of the GEF should be taken into account in its design;
- GEF projects and the Small Grants Programme are carefully monitored to ensure they take account of the needs of local people and their environment by, for example, providing for a review by local community representatives and social scientists;
- local people and NGOs have timely access to information and are able to participate in decision making;
- the disbursement of funds for a project be delayed until agreement is reached on the management structure and financial mechanisms.

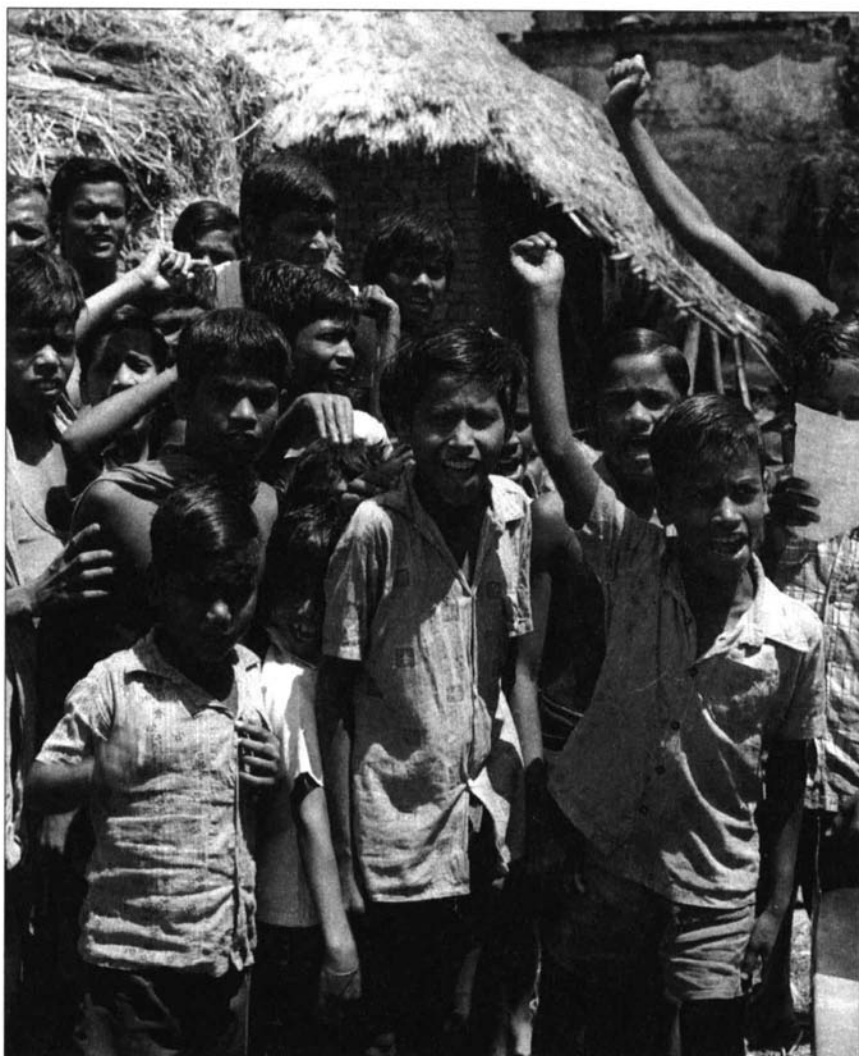
### **No time to waste!**

In an interdependent world, the solutions to environment and development problems require global cooperation. The 1992 United Nations Conference on Environment and Development – the Earth Summit – is only one stage in the process of countries, organisations and individuals committing themselves to the action required for sustainable development, which underpins the reduction of poverty.

Many agreements scheduled for conclusion at UNCED, and other agreements that are necessary, will have to be negotiated in other fora, such as the GATT and the Paris Club. UNCED may provide the impetus for these negotiations to take place; they now have to be concluded and implemented. Appropriate mechanisms for reviewing progress will be needed, designed to monitor and evaluate the agreements and ensure that follow-up efforts are not dissipated.

Continuing action on structural change at national and international

levels is crucially important if progress is to be made towards sustainable development. Oxfam's purpose in publishing this book is to create understanding and a sense of urgency about the problems of poverty and the environment. It is imperative that the rich world listens more carefully to the voices of people in the South and learns from their experience. Faced with the global environmental crisis, North and South alike must recognise that working interdependently and with a common purpose offers the best hope, not just for relieving poverty and suffering – but for securing a sustainable future for all the world's people.



LIZ CLAYTON / OXFAM

*Children in Orissa sing a song about their forest. The environmental organisation, Friends of Trees and Living Beings (p.9-10), regards work with young people as vital for ensuring sustainable development for the future.*