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The 1992 earth summit: Funding mechanisms and environmental institutions

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wishing firmer commitments than the US does. Given US relative decline during the 1980s, it is by no means as clear as it was that a treaty on CO₂ needs the participation of the US to succeed. On the specific issue of CO₂, it is probable that more pressure can be brought to bear by pushing for an agreement that the rest of the industrialised world wants, even if it is at the expense of the initial exclusion of the US. Such a strategy of isolation would arguably be the most effective way of putting strong pressure on the US, by undermining its self-image as world leader.

It is by no means clear that the political will exists to pursue such a strategy, or that such a strategy has been seriously considered. But should governments in Europe and Japan become increasingly frustrated with the US's intransigence, it may become the only option available to them.

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NOTES

1. All citations of the Convention will simply be referred to by their Article number. At the time of writing, I had not received a copy of the final Convention. However, the final text is contained in *Draft Convention United Nations on Climate Change, 1992*, Intergovernmental Committee for a Framework Convention on Climate Change, New York, 5 May 1992, Document A/AC.237/CRP.1/Rev.1., from which these citations are taken.
2. As has been suggested, they could simply list many parts of existing energy policy, since on average, half their existing policies will limit emissions! See Michael Grubb, 'The Heat Is On', *The Higher*, 5 June 1992.

The 1992 Earth Summit: Funding Mechanisms and Environmental Institutions

During the Earth Summit a great deal of both media attention and negotiating time was devoted to the precise amounts of environmentally-related aid and assistance that the North was prepared to make available to the South. Although it is still very difficult to ascertain exact figures (because of deliberate vagueness by politicians over pledges and over what would constitute new aid), the total new funding pledged by the North amounted to around US\$2–2.5 billion, well below Maurice Strong's minimum 'success measure' of US\$10 billion. Yet important decisions were also reached over funding mechanisms and environmental

institutions. These are in many ways more important than specific pledges of aid because they shape the political framework within which future environmental negotiations will be conducted and because their choice and character reflect the underlying distribution of political power, above all between North and South.

The Global Environmental Facility

In the lead-up to the Earth Summit, the positions of North and South on the question of funding mechanisms were clearly defined. The North argued strongly that the Global Environmental Facility (GEF), administered by the World Bank, should be the principal vehicle for multilateral environmentally related aid flows. This preference was visible in the various preparatory negotiations for Rio and in previous environmental agreements (such as the Montreal Protocol, and the Brazilian Tropical Rainforest Fund negotiated between Brazil and the Group of Seven). Preference for the Bank and the GEF was based partly on arguments of technical competence, partly on the reluctance to create any new bureaucracies, and partly on a determination to maintain control over the use of whatever multilateral aid might be made available. The GEF itself had grown out of a French government proposal of September 1989 and agreement for its creation was reached in November 1990. It was envisaged as a pilot programme involving co-operation between the World Bank, UNDP, and the United Nations Environment Programme (UNEP) to finance environmental projects of 'significant global concern', defined originally as covering four areas: protection of the ozone layer, limiting greenhouse gas emissions, protection of biodiversity, and protection of international waters. Its operations also involved administering the funding mechanisms established under the Montreal Protocol (and its London amendments) to assist developing countries phase out CFC production. In its first phase it had access to around US\$1.3 billion.

In contrast, the South argued strongly for the establishment of new international body to administer a Green Fund of new, unconditional environmentally-related aid. Thus, for example, the Beijing Declaration of 13 August 1991 stated:

In order to deal with the long-existing but now rapidly aggravating environmental problems of immediate concern to the developing countries, a special Green Fund should be established to provide adequate and additional financial assistance to them . . . This Fund should be managed on the basis of equitable representation from

developing and developed countries, and should ensure easy access for developing countries.

For a variety of reasons there was strong antagonism in many parts of the developing world to the GEF. First it was seen to be dominated by the World Bank (the Bank administers the Facility and is responsible for the management of the project cycle). Secondly, the weighted voted structure of the Bank meant that effective power was in the hands of the major industrialized countries. Thirdly, there was resentment over the imposition by the Bank of conditionality. This relates to conditions attached to aid and loans designed to alter the economic or social policies of the recipient government. Finally there was a belief that a concentration of institutional power around the World Bank would reinforce the already marked tendency to view environmental degradation as a problem for the South, rather than as a global challenge requiring changes in the economic policies and lifestyles of both North and South.

During the Conference itself, the question of funding mechanisms was concentrated around Chapter 33 of Agenda 21 and was dealt with by the financial resources contact group of the Main Committee. Various forms of financial flows were covered in a rather loose way including multi-lateral aid, bilateral aid, private investment, and private aid flows. The South made no progress in its demands for linkage between continuing high levels of foreign debt and progress towards more sustainable forms of development. There was a (somewhat loose) commitment on the part of the North to make sustainable development a more central objective of the International Development Association. But most decisions revolved around the determination of the Group of Seven to strengthen the position of the GEF as the major vehicle for environmentally-related aid transfers, and the total rejection of demands for a new Green Fund controlled on a one state one vote basis. It was agreed that the funding of the GEF would double over the next three years, and that it would be the interim financial mechanism for the two new framework conventions signed at Rio on global climate change and biodiversity.

In return, the South secured agreement that the GEF should be restructured as to *inter alia*:

Encourage universal participation; Have sufficient flexibility to expand its scope and coverage to relevant programme areas of Agenda 21, with global environmental benefits, as agreed; Ensure a governance that is transparent and democratic in nature, including in terms of decision-making and operations, by guaranteeing a balanced and equitable representation of the interests of developing countries, as well as giving due weight to the funding efforts of

donor countries; Ensure new and additional financial resources on grant and concessional terms, in particular to developing countries; Ensure access to and disbursement of the funds under mutually agreed criteria without introducing new forms of conditionality (Agenda 21, Chapter 33.16, (a) iii).

The phrasing on conditionality was particularly divisive and was only resolved at the end of the conference. The South had wanted a more far reaching 'without imposing conditionality'.

Detailed discussions on the restructuring of the GEF had already taken place before this at a meeting in Washington at the end of April, with the operational details to be approved in December 1992. In practice, the most important elements of restructuring are threefold. First, wider participation is to be encouraged by reducing or abolishing the previous contribution of US\$5.5 million that all participants had to make to the Facility. Second, a Participants Assembly will be created to provide broad strategic and policy oversight to the Facility as a way of meeting Southern demands for 'balanced and equitable representation' and for more democratic governance. Third, the scope of the GEF will be expanded to cover desertification and deforestation, that is issues of more central concern to the South than the four original areas which very clearly reflected Northern priorities. However, the industrialised countries were still able to insist on a system of double majority voting (ie the need for a majority of both the Participants and of the financial contributions), thus ensuring that the leading donor countries cannot be outvoted on major issues of policy.

Arguments are likely to continue over the details of how these moves towards restructuring will work in practice. First, it is unclear how the mandate of the Participants Assembly will be translated into practice, and the extent to which it may seek to become involved in the details of project choice and implementation (already a source of debate in relation to projects funded under the Montreal Protocol). Much will depend on the nature of the Secretariat that will be established to service the Assembly. Second, there is a strong likelihood of continued criticism (especially from NGOs) over the degree of transparency of the GEF (and of the Bank more generally) and further demands for greater openness and consultation. Third, the question of what forms of conditionality should be applied to GEF lending (and, more generally, to Bank lending and bilateral aid flows) is likely to grow in importance. The issue of conditionality gained prominence in the 1980s with its use by the Bank and IMF as a means of pressuring developing countries to change economic policies. More recently the scope of conditionality has

broadened very significantly to cover the promotion of good governance and human rights, the reduction in military spending, and the encouragement of moves towards more sustainable development. Fourth, it has to be decided whether the GEF's interim role in the climate change and biodiversity conventions will become permanent and, if it does, what the future relationship will be between the GEF and the conventions (and their Secretariats).

The Commission for Sustainable Development

In addition to the entrenchment of the position of the GEF, two other important institutional developments were agreed at Rio. The first concerns the creation of a Commission for Sustainable Development. As the Summit itself had no authority to create new institutions, the operational details of the Commission were to be established by the UN General Assembly in the autumn of 1992. It will be composed of 58 states, chosen to represent all parts of the world in accordance with the now standard UN practice. It will be a functional commission of the Economic and Social Council (EcoSoc) and will report through the Council to the General Assembly. It will meet annually for about three weeks and, between the annual sessions, authority in certain (yet to be defined) key areas will lie with the Secretary General. He will appoint a high level official responsible for sustainable development, who will in turn head a new Secretariat established to service the work of the Commission. The Group of Seven industrial countries went into the conference opposed to the creation of such a Commission, partly because of their dislike of new bureaucracies, but partly because of the difficulties within the central UN system of maintaining political control. They gradually came to accept the need for a body to coordinate the many different UN bodies involved in the environmental field. Moreover, they were able to defeat demands from the South that the Commission should be a committee of the General Assembly.

The main functions of the Commission are twofold. First, to monitor the implementation of Agenda 21 and the environmental activities of 'all relevant organs, organisations, programmes and institutions of the United Nations system dealing with various issues of environment and development, including those related to finance'. This is clearly a herculean task given the number of agencies involved and the history of bitter turf-fights between them. Success will depend on two factors. First there is the time and political capital that the Secretary General is able to invest in this area, especially in the light of the demands and difficulties that he is facing elsewhere. Second there is the willingness of major states

to take the work of the Commission seriously and to send high level officials – something that has not been particularly evident in the past history of ECOSOC.

The second of the Commission's functions is to consider reports from states on the implementation of Agenda 21 and of the commitments contained in Agenda 21. It will also consider reports dealing with the implementation of international environmental conventions and with the progress of the North towards meeting the aid target of 0.7 per cent of GNP. States from both North and South were nervous of any language that would imply a clear legal duty to submit reports to the Commission or that would give the Commission overt powers to criticise member states. The final language was therefore watered down considerably and the submission of reports will not be compulsory. However, the hope is that the Commission will operate in this area in a similar way to the UN Commission for Human Rights. It will provide a forum for publicising progress (or lack of it) towards more sustainable forms of development, thereby exerting some pressure on states to fulfil their commitments (if only in the form of moral persuasion and public criticism). It will create a framework for further negotiations. Finally, it will be a body that can appoint working groups, special rapporteurs and possibly subcommittees in areas of particular importance. The application of pressure on governments will be furthered by the duty of the Commission to receive reports from NGOs and to create a more formal dialogue between states and NGOs. However the exact degree of NGO participation remains to be negotiated and is likely to prove controversial.

The Framework Conventions

In addition to the Commission, the two framework conventions will need to develop a more solid institutional structure (involving a system of regular meetings of parties and some form of secretariat) so that their very general provisions can be given greater substance, not least in the area of financial transfers to encourage Southern compliance. Given the number of contentious issues that remain to be resolved and the likely gap before sufficient states have ratified the convention, it was agreed that the Intergovernmental Negotiating Committees on Climate Change (INC/FCCC) should continue to exist and that the General Assembly would decide on the details of its operation in the autumn of 1992. In the case of biodiversity, UNEP will act as the interim secretariat and is charged with convening a meeting of the Parties within one year of the treaty entering into force.

As with other aspects of the conference, Rio witnessed a degree of

common purpose in institution building and a commitment to continue an ongoing process of negotiations. The main contours of the institutional landscape were traced and agreed: a moderately restructured GEF as the core multilateral funding body; the creation of a new Commission for Sustainable Development as a high-level forum for environmental negotiations and for attempts to give more specific content (and above all priorities for action) to the discussion of sustainable development contained in Agenda 21; and the first moves towards giving some institutional structure to the two framework conventions on climate change and biodiversity. Yet, whilst progress was certainly made, these developments also reflected the deep divisions that continue to exist between North and South over the distribution of the costs of managing the global environment, over the ways in which sovereignty may need to be curtailed in the interests of environmental management, and over political control of the institutions within which these decisions will be negotiated or imposed.

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