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"DEVELOPMENT AND THE ENVIRONMENT: A GLOBAL BALANCE"

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DEVELOPMENT AND THE ENVIRONMENT: A GLOBAL BALANCE

Mr. Chairman, Ladies and Gentlemen:

An old saying common to rural communities in many parts of the world reminds farmers that the land they till, on which they sow, and from which they harvest, is actually leased from their grandchildren. "The rent you pay for that land," the saying continues, "is your obligation to protect and preserve its fertility." As with the land, so too is it with the rest of the natural environment on which human survival and progress depend. Today's needs have to be weighed against tomorrow's obligations, or our children will be poorer than we are.

The human family, in its quest for change, engages in activities that can go on forever. The environment is finite. This disparity creates the environmental challenge: the critical need to reconcile a potential conflict between human effort and environmental constraints. If our response to that challenge is not defined with clarity, and if the human family does not act in partnership to meet the need for constant renewal of our environment, we will only falter collectively, stumbling toward a bleak tomorrow.

The environmental challenge is directly relevant to the World Bank's primary mission: supporting change in developing countries. Development is change. Disadvantaged societies that have not experienced the benefits of development -- that have not known change, and lack the resources to undertake change -- are themselves the victims of pollution, the pollution of poverty.

The World Bank has been entrusted with the responsibility of helping to rescue the world's poor from that form of pollution. The Bank's fight against poverty is therefore at the core of our mission. We will not turn away from that mission. But we have to ensure, as well, that change is constructive, and that change does not destroy the resources on which human progress is based.

So, reducing poverty and protecting the environment are related aspects of the same paradox which must be carefully and accurately integrated in human actions, as they are in ecological reality. Development that is not sustainable is not development at all, but only an illusion of development.

I want to thank the Government of Japan and the United Nations Environment Programme for organizing this conference, giving us an opportunity to exchange ideas and experiences, to re-examine our priorities, to re-commit our assets and, together, to chart a course of action toward the future.

I am delighted, as well, to share the platform with such a distinguished group of panelists. Together, we have been entrusted with mantles of leadership in the arena of international development. Together, too, we share many concerns about the environment in which we live. And together, we can help to ease those concerns, not only by what we say here, but, more importantly, by how our institutions act.

A NEW AWARENESS

This is the first major conference of its kind in Asia. It has attracted participation from around the globe, demonstrating the depth of current interest in the care and maintenance of the fragile planet we all call our home. This level of concern was not always apparent. Just two decades ago at the Stockholm Conference on the Human Environment, there were doubts and skepticism expressed about similar concerns.

Attitudes have changed during the intervening years, in response to ecological realities. The World Bank and others in the development community have learned that protection of the environment warrants specific and discrete emphasis. We have also learned that environmental issues cut across all development sectors and are affected as much by domestic politics as by international trade practices.

A purely technical approach to the environmental challenge, insensitive to social, cultural, and public health considerations, results in a wide array of social problems. Profligate industrial policies assail the world's climate. The basic requirement of food for ceaselessly growing populations is met at the expense of degraded soils, making future agricultural efforts more costly. Development resting only on exploitation of non-renewable resources leaves us poorer in the long run. All these issues and others are intertwined and must be addressed.

We know also that we cannot fulfill our responsibilities by merely passing around "unleavened loaves of empty words." Words must be subsumed by action, meticulously planned and rigorously assessed. That, in essence, is the World Bank's approach to environmental issues as they intersect with the imperatives of development.

SOME KEY AREAS

We accept the all-encompassing nature of the environmental challenge. We believe also, however, that it is important to understand and deal with the various components relevant to both development and the environment, some of which I'd like to discuss in more detail.

Global Warming

The "greenhouse effect may be mostly hot air," reported an American magazine earlier this year, in reaction to testimony in the US Senate that "global warming, far from being a theoretical construct, had arrived with stunning certainty." Sharply contending viewpoints on this subject have already generated mythologies regarding global warming. In this exchange of viewpoints, unfortunately, some comments produce more heat than light. For this reason, I wish to review some facts.

A few long-surviving gases generated by industry and agriculture trap some of the radiant heat which the earth emits after receiving energy from the sun. This warming process is similar to the way in which the wraparound glass enclosures of "green houses" built for horticulture trap heat, therefore becoming known as the "greenhouse effect." Similarly, the heat-trapping gases are widely described as "greenhouse gases."

From the time of the industrial revolution, scientists have feared that man, by increasing emissions of greenhouse gases, would cause an unnatural warming of the earth's climate. In 1896, for instance, the Swedish scientist Svante Arrhenius cautioned that sometime in the "next century," industrial emissions would cause a global warming of 3.2 to 4.0 degrees Celsius. This hypothesis is the precedent of today's anxieties.

Of course, at one level, the greenhouse effect is natural to our planet, and essential to human life. If there were no greenhouse effect at all, if greenhouse gases did not trap a certain amount of heat, the earth would be more than 30 degrees Celsius, or 60 degrees Fahrenheit, cooler. Much of the world would be a bleak, extensive tundra, and life as we know it would not exist. When emissions of heat-trapping gases increase excessively as a result of human activity, however, the earth is unnaturally warmed. It is this additional warming that could raise global temperatures to levels which would threaten human life.

Some scientists are convinced that the 25 percent increase in carbon dioxide emissions since the earliest days of the industrial revolution has already resulted in a steady increase in global warming. They are concerned that, unless this trend is mitigated, a 5-8 degree Fahrenheit change of temperature may occur in higher altitudes. While this may not seem significant, it would be considerably more than the warming since the last Ice Age, or any change in human history. If that were to happen, instead of the tundra which would result if there were no global warming at all, parts of the world would be scorched. Others would be flooded. The number of natural disasters would increase. Some studies predict simultaneous crop failures in all those regions now considered the bread baskets of the world.

On the positive side, the cold and unproductive lands in the north could be warmed into productivity. Some arid lands might be made fertile as a result of increased rainfall. Overall, however, life as we know it would be altered drastically, threatening, and in some cases extinguishing, ecosystems and species. Among human communities, the poor would be the hardest hit, because they have the least resources with which to adapt to change.

In reviewing these facts, and some of the possibilities derived from them, it is not my intention to be a voice of gloom. The world's "doomsday watch" needs no help from me. Without minimizing the dangers I have described, I must add, therefore, that scientists cannot forecast when exactly the expected climatic changes might occur. Some scientists do not predict such catastrophic changes. Clearly, more research is needed, if we are to understand fully the implications of global warming for both developing and industrialized countries.

The possible risks are too high to justify complacency or evasion. The international community cannot sit back, hoping that the problems will somehow pass us by. We must be prepared to avert the worst, even as we desire the best. "Chance," as Louis Pasteur observed, "favors the prepared mind."

Accordingly, the World Bank closely monitors research on greenhouse gas emissions and climatic change. We will continue to assess the economic and social impact of this interaction, and its repercussions on natural resources. We will actively assist developing countries to formulate appropriate development responses to global warming concerns. In particular, we will support developing country programs to move to cleaner fuels, processes and systems.

Energy

The three major "offenders" among greenhouse gases are carbon dioxide, methane and chlorofluorocarbons (CFCs). Of these three, the highest cumulative contribution to global warming is made by carbon dioxide, which alone is responsible for almost half the world's greenhouse effect. Carbon dioxide, as a global warmer, is produced by the burning of fossil fuels -- coal, oil and natural gas -- and by deforestation. Methane, which is created, for example, by the decay of industrial and agricultural waste and by the extraction and transport of fossil fuels, accounts for some 20 percent of the greenhouse effect. CFCs, which currently account for up to 17 percent of the greenhouse effect but are expected to rise to as much as 24 percent, are man made.

Common sense tells us that, if carbon dioxide is the largest contributor to global warming, our most appropriate corrective would be to reduce the amount of that greenhouse gas released into the atmosphere. This brings us to the issue of energy and energy policy, because the industrial and domestic use of fossil fuels as energy cause the most emissions of carbon dioxide.

Energy, from whatever source it is derived, touches most aspects of social and economic activity in the world. Muscle-driven handpumps that provide African and Asian villages with water are as important to their users as are petroleum-fired factory furnaces to industrialized societies. The particular form of energy used by society, and what that energy is used for, are sometimes seen as what divides "less developed countries" from those that are "developed."

As Barbara Ward commented, "in this century, we have virtually identified the whole successful functioning of the economic system with a steady increase in our consumption of energy." This identification, she argued with some asperity, has created an unwholesome "interdependence between prosperity and energy use."

The quest for prosperity is a universal human impulse. The poor want to be rescued from their wretchedness. The rich want at least to remain rich, if not get richer. Countries, like individuals, nurture the same impulses. Developing countries reaching out toward prosperity need many transformations. As they seek to revitalize their economies, their demand for energy will increase, whatever the dimensions of their development. The extent to which that increase will be based on greater use of fossil fuels will determine the severity of the threat to the environment.

At the height of the "oil crunch" of the '70s, an Asian politician commented that many developing countries faced what accountants might call a "double bottom line." On the one hand, he explained, they had to transform their economies so that productivity would be increased, wealth would be enhanced and distributed. On the other hand, they had to do so at a time when non-renewable energy was "both scarce and expensive." The environmental challenge creates the phenomenon of a "triple bottom line," requiring that energy-based development should not be accomplished at the expense of further damage to the environment, which supports that development through the provision of many primary products and services.

Can this be achieved? Developing countries have been advised not to replicate the environmentally unsound policies and practices of the industrialized world. The World Bank itself can be used to transfer the knowledge learned from these mistakes. But unless such advice is accompanied by viable alternatives, it implies that developing countries should stagnate in the interests of overall environmental protection. The world's richer nations, for their part, would be free to maintain industry-based wealth and to engage in environmental depredation. This is unacceptable. Developing countries cannot be excluded from change. Industrialized countries cannot forever despoil the environment.

What then should be our advice? The Bank supports the move toward higher generation of energy, as a corollary of development, accompanied by greater end-use efficiencies. We lend for conservation programs. We look at the scope for increased use of renewable energy. We make it clear, too, that over the long term, science and industry must adapt to forms of energy whose use does not harm the environment.

Until we reach that goal, however, the energy requirements of developing countries will have to be met largely by the use of existing fossil fuels. The choice of fuels then becomes crucial. Expanded use of natural gas, which because of its efficiency releases substantially less carbon dioxide than oil or coal into the atmosphere, will significantly reduce the harmful emissions.

The World Bank is prepared to take an active leadership role during this transitional phase. We will take every opportunity to reiterate that greater conservation of energy and energy efficiency in all countries will further reduce the use of fossil fuels. Only a global response can deal with a global problem. We will also stress the need for new resources as part of this global action.

None of the proposed adjustments is cost free. The various actions that developing countries will need to take in their own interest, and in the international interest, require substantial additional costs. These must be folded into the overall development budget. This is not a matter of funds being redirected from one set of development objectives to another, but of genuine additionality. I am encouraged by the increased attention these issues are receiving in rich countries, including Japan, and I urge them to support developing country energy programs with the required additional resources. These measures will help satisfy the yearnings of developing countries for change while also protecting the environment.

Population

We must remember, however, that even without economic change in developing countries, the anticipated increase of global population will result in a greater demand for energy. If, for instance, the average amount of energy used per person across the world in 1985 remains unchanged, a 15 percent increase in energy would be needed by the year 2000 to meet the needs of a world population which would then stand at over 6 billion. That is just one anticipated consequence of unchecked population growth.

Earlier this year, the keynote speaker at the Fifth Asian Parliamentarians Meeting on Population and Development said that population growth was one of three major problems the international community confronted as it prepared for the 21st century. The other two were world peace, and world economic stability, both of which, in his view, are receiving attention. Population issues, he argued, were "more fundamental and their resolution more difficult."

The figures speak for themselves. In 130 years the world's population grew from 1 to 2 billion but, at present rates, in only 10 years it will jump from 5 billion today to some 6 billion by the year 2000. Ninety percent of this expected increase will be born in the developing regions of the world. The resulting additional demands on the resources of those countries will be formidable.

Population will be too large in relation to capital stock -- public and private, physical, biological and human. Infrastructure and other social overhead capital will probably lag the most. Many countries will be pushed further and locked more tightly into the poverty trap. They will be short of financial resources to meet day-to-day demands of increased numbers, let alone undertake measures to improve the quality of life and growth prospects for the future. Sickness, malnutrition, and numerous other consequences of poverty will be overwhelming.

Unchecked population growth will further aggravate the problems of urban and rural environments. In urban areas, water and air pollution, sanitation and waste disposal will become even more critical. Both urban and rural demand for more food will cause creation and exploitation of more agricultural land in rural areas. Forests will be destroyed; so will flora and fauna. Existing agricultural land will be more depleted to get that extra portion of food from it.

It is generally acknowledged that unchecked growth of population, threats to the environment, poverty, and underdevelopment are closely linked. The recent Caracas Declaration commemorating the 25th anniversary of the Group of 77 for example noted that "poverty and environmental degradation are closely inter-related." But acknowledging the linkage is only a first step. We must undertake programs which will help break that linkage.

The World Bank is well aware that population changes and the lowering of fertility in several countries have often followed economic and social improvements. Unfortunately, unprecedented rates of population growth in many developing regions of the world make it clear that the challenge is too great for us to await the impact of general social improvement on population growth rates.

In some countries of Africa, Asia, and Latin America, population will double every 20 to 30 years if present trends continue unchanged. Such high rates imperil the very socio-economic development that can bring about a reduction of population. We cannot neglect aspects of development that influence population trends, but we need also to support programs that directly influence fertility rates. In fact, family planning programs have succeeded even in adverse socio-economic conditions.

Despite such successes, it is estimated that some 500 million couples worldwide have no access to modern methods of fertility regulation. This cannot be condoned in an international community which accepted family planning and the ability to control one's fertility as basic human rights 21 years ago, at the Tehran Conference of 1968. Several conferences and declarations since then have restated the point, drawing particular attention to the fact that the role of women is a central, perhaps the central issue in population policy. Any effort to improve the status of women which does not enable them to have some control over their fertility is only a partial effort.

The role and rights of women, information about the availability of family planning, the voluntary nature of family planning, education, health, employment, and income are all strands that must be effectively intertwined. To achieve that, the global population issue must be made a high priority on the global agenda. The World Bank will pursue this objective vigorously in the future, as it has in the past.

Industrialized Nations

Another key component relevant to both development and the environment is the responsibility of industrialized countries.

An Asian head of state recently asserted that industrialized countries should shoulder a larger responsibility for preserving the world's environment because, in effect, their economic policies and lifestyles "constitute the greatest threat to the environment." There is logic in the argument that those who have already imperilled our common heritage should compensate by their actions for the damage they have done. It is also true that industrialized countries have the greatest research capacity, particularly in their private sector, to grapple with the technical aspects of environmental protection.

I do not mean to suggest that developing countries should feel free to devastate the environment because some industrialized countries have done so. The care and health of our planet is a collective global responsibility.

Having said that, however, it is true that many aspects of economic activity and lifestyle in the industrial countries contribute to the world's accumulated pollution and resource depletion problems. North America and Europe, for example, together are responsible for nearly three quarters of the carbon dioxide emissions that contribute to global warming, while accounting for only about 8 percent of the world's population. The developing world, almost 80 percent of the world's population, is responsible for only 7 percent of the industrial emission of carbon dioxide.

Industrialized countries are also responsible for the damage caused by CFCs. Western industrialized countries are now planning to phase out the use of CFCs by the year 2000 but other nations have just begun large-scale refrigeration programs. The World Bank supports a total phasing out of CFCs from use in all countries.

How industrialized countries can and do respond to the environment challenge is not characterized by unbroken gloom. I visited here in 1971, and was saddened to see the tops of buildings obscured by smog. Today, Japan is both domestically and internationally alive to the links between growth and environmental good health. Japanese industry uses less energy than its counterparts in many other countries to produce the same or similar goods and services. Japan's endorsement of anti-pollution policies, its development of energy-efficient technologies, and its decision to emphasize environmental activities in its international development assistance programs have provided the world with a salutary example of how an industrialized nation can adapt its own policies to meet the environmental challenge.

As industrialized countries face the challenge of fulfilling their own responsibilities, perhaps they might think not only of altruism, but also of the rewards to be gained from pursuing "environment friendly" policies. A recent editorial in "The Economist" put it well: "The country that pioneers the taxes and charges that make polluters pay will enjoy a boom as purveyor of greenness to a dirty world."

AGENDA FOR ACTION

Mr. Chairman, Ladies, and Gentlemen -- At this point I want to make a brief personal comment. When I became President of the World Bank, I selected the environmental challenge for special emphasis. I wanted the World Bank to take a lead role in confronting the global question: how to harmonize the imperatives of development and environmental care. Then as now, I was convinced that through our efforts, through our influence on other development agencies, and through the redirection of our intellectual resources, we could create an appropriate and potentially effective global agenda.

I am proud of the progress we have made. Even though some of the most difficult tasks lie ahead, we are well beyond any concept of treating the environment in a superficial, cosmetic, or "public relations" fashion. We are committed to environmental issues and, what is more, this commitment does not detract at all from our primary mission of global development.

We have increased environmental lending, increased lending for population programs, increased forestry lending, increased the resources devoted to the environment by more than 100 staff years, and we have fully integrated environmental issues in the Bank's approach to development.

But we need to do more, and as we move on with our agenda, I expect that in the next three years World Bank support for free-standing environmental projects will be near \$1.3 billion. Even that may not be as important as our efforts increasingly to integrate environmental values into our ongoing development program.

In the course of reviewing some key areas of the development/environment relationship, I have already described to you the thrust of the Bank's major activities since the environment was selected for special emphasis. In addition, during this last year, the World Bank's Board of Directors approved more than 100 projects, 35 percent of all Bank and IDA projects, with significant environmental components. Sixty percent of projects approved in the agricultural sector included environmental elements. Other sectors with significant environmental work included energy and power, transportation, water supply and sewerage, and urban development. We will do still more in the next 12 months.

With funds recently made available by Japan, we have inaugurated a \$5 million Environmental Technical Assistance Program to speed up the preparation of environmental projects. There is an urgent need for more such funding mechanisms. Five months after the technical assistance program was announced, World Bank staff have reviewed and approved requests totalling \$23 million for immediate action.

We estimate that in any given year the resources required to meet the technical assistance demand for the preparation of environment projects could be in the range of \$60 - 80 million. Funding and speedy decision making by both donors and developing countries are essential pre-requisites for the preparation and implementation of environmental programs.

We have also designed Environmental Assessment Guidelines that strengthen the capacity of developing countries to deal with environmental problems. These guidelines ensure that developing countries and the World Bank systematically take environmental concerns into account at the earliest stage of designing development projects. Groups likely to be affected by the projects, as well as local NGOs, will also be fully involved in the assessment process.

In the energy sector, our approach is to assist developing countries in mitigating the emissions of greenhouse gases without curtailing development. Conservation and energy-efficiency are both important aspects of this effort.

We have created an Energy Efficiency and Strategy Unit to address financial and policy issues. A Household Energy Unit concentrates on the most suitable means of delivering traditional and modern forms of renewable energy to the homes of the world's poor, and to rural industry.

Today, I am pleased to announce that we are establishing a Gas Development Unit which will promote the economic production, consumption, and export of natural gas, the least polluting of fossil fuels.

I am also pleased to announce a tripling of our lending to forestry in the next few years, and a more direct involvement of World Bank staff in the Tropical Forest Action Program. The Bank will provide technical contributions and mission leadership for sector missions, and is renewing its commitment to work with co-donors (bilateral donors, FAO, UNDP, and the World Resources Institute) in all other aspects of this action program.

The Consultative Group on International Agricultural Research (CGIAR) -- of which the Bank is a co-sponsor and donor -- has re-emphasized the sustainability of agricultural production systems as one of its goals. At its mid-year meeting held last May in Canberra, the CGIAR included tropical forestry on its mandate. On that occasion, the Government of Japan indicated its willingness to increase its financial contribution to support the work of an expanded CGIAR, as a whole. Research on tropical forestry and enhanced food production will be carried out at CGIAR centers in the context of the wider issues of the management and utilization of renewable resources.

I have stressed the critical links between population, the environment, and development. The World Bank and IDA have lent over \$500 million for population projects over the last five years. We will raise this amount to over \$800 million in the three years 1990 to 1992. We will also expand our funding for health, education, and other sectors which should help support developing country efforts to hold back population growth.

In all these activities, we have sought cooperation with NGOs and benefitted from that association. As the annual meetings of the World Bank and International Monetary Fund approach, much attention will be given by the NGO community to the way in which we are tackling these issues. Some may say we have made no progress, we have not changed. They are wrong. Others may say that progress is slow. I am telling you here that we intend to accelerate, and that the momentum will be stronger if we are able to work in partnership with the worldwide NGO community.

TOWARD A GLOBAL BALANCE

Mr. Chairman, Ladies, and Gentlemen -- The World Bank's experience reinforces the view that environmental factors cut across all development sectors. It might even be said that they affect all aspects of human endeavor which make up the "infinite unity of our mutual needs."

Conservation, energy efficiency, natural resource management, population and family planning, resource transfers, justice in the international marketplace, research and development all these and more are part of the environmental challenge. The development challenge is equally compelling. The numbing statistics of poverty need no repetition, but they cannot be ignored. As I have stated today, we can meet both challenges effectively only when we are able to create a global balance in which a diversity of interests are reconciled. This is a responsibility for the human family as a whole, not just for its poorer members.

Currently, nations, regional organizations, other multi-nation groupings, non-government organizations, and international institutions are all active in a vibrant environmental debate. The Group of 77 has placed the issue high on its agenda. In a rare example of North-South concurrence, so has the Group of Seven. Words and good intentions alone will not produce results, however. Practice must match theory.

I urge, therefore, that all of us -- institutions, nations, and individuals -- work together to define the correct global balance between human aspirations and the human environment. Having done that, can we rededicate our resources and our efforts to creating and maintaining just such a balance?

As we do so, we might profit from Gro Harlem Brundtland's advice that "only growth can create the capacity to solve environmental problems. But growth must be managed to enhance the resource base on which developing countries all depend. We must create external conditions that will help rather than hinder developing countries in realizing their full potential."

The World Bank fully agrees. We do not believe that development and environmental protection are mutually hostile objectives. One cannot be sacrificed for the other. Working toward new models for development which bring both into a creative synergy exemplifies the kind of change to which the World Bank is irrevocably committed.