Summary and Conclusion

Available demographic projections indicate a 'most likely' global population of 12 to 12.5 thousand million people in AD 2150. This Author maintains that even the well-meaning resolutions of the recent Cairo Conference on Population and Development fail to tackle the problem of the *infestation of the planet by the human species*, whose impact on the Earth's environment, *as perceived by the environment itself*, is currently at least 122 times as great as it was just 8 generations ago, or the equivalent of the impact of at least 107 thousand million people of the AD 1790 level — a *massive infestation* of the planet if ever there was one!

In order to restore the natural ecological equilibrium that is the basic condition of life as we know it, but that has been shattered by Mankind, the perceived impact of the human species on the Earth's environment must be brought back to what the global superecocomplex can durably sustain: that is, rather optimistically, to the situation as of AD 1790.

To achieve that, if the *per caput* consumption and the environmental damage due to technology cannot be reduced below present-day levels, the global population must be reduced to roughly 45 million people. The alternative is to let Mother Nature take over sooner or later and restore the lost balance through famine, epidemics, and wars, thereby probably annihilating our civilization.

GIACOMO DE SABATA
Via Bigli 4
I-20121 Milano
Italy.

GUEST COMMENT

Environment and Development: Key Role for Banks?

In the late 1980s, bilateral and multilateral funding was still mainly channelled towards large development projects. However, thanks largely to nongovernmental organizations (NGOs), the commercial and private banking world was beginning at last to become aware that the environment also mattered. But in spite of a few quite constructive attempts to address these 'new' issues (*see*, for example, UBS Phillips & Drew [1989]), most individual actions had not got much further than studies of paper-recycling and internal energy-saving, and some marketing of (allegedly) environment-friendly stocks and funds. Banks were far from reaching a consensus even on the desirability of environmental impact assessment (EIA), concerning which enlightenment was mostly subsequent (Goodland, 1992; McCammon, 1992).

Sustainability Increasingly Needed

It was at the United Nations Conference on Environment and Development (UNCED)*, in Rio de Janeiro in June 1992, well outside the corridors of high finance, that the sustainability concept was officially introduced to the world as requiring stable population *plus* clean energy. This clashed with: 'he owes it to me' *versus* 'where is my dividend?' Exorbitant amounts of money were bandied about as being essential to *begin* to address the problems on the agenda. Lines between loans, grants, and investments, remained blurred, while begging bowls were tendered in lieu of cash-flow projections. Dialogue took place behind the scenes; but there was only monologue in the plenary hall. An altruistic agenda became polarized, with delegates from developing countries focusing on (their own) development, and those from developed countries fixing their gaze on (their own) environment.

UNCED dignitaries extolled the $1.2 thousand million commitment of governments under the pilot Global Environmental Facility (GEF), a type of partnership between the World Bank, the United Nations Development Programme (UNDP), and the United Nations Environment Programme (UNEP) (*cf.* Global Environmental Facility, 1991). GEF had been created in 1991 to 'cover the agreed incremental costs of relevant activities under Agenda 21, in particular for developing countries'. Although these costs were, at the time, being measured in many thousands of millions of dollars, nobody seemed unduly worried. Promises were made, followed by improbable conditions. Contentious issues were buried in official documents. Population control was relegated to closed sessions, to which papal nuncios could be seen striding purposefully. Self-help was not on any agenda. Moreover, despite all the talk about money, there was scarcely a banker to be seen, and no mention was heard of the harm that *misplaced* money can do. Perversely, IMF ('top cop of global finance: *Time*, 1989) and NGOs were seen as busybodies. One was left with the uneasy impression that, apart from the vague terms of reference of the GEF, two essential aspects of any financial agreement were not addressed at all: where the money was to come *from*, and who the money was to go *to*. Razzmatazz and revenue are uneasy bedfellows!

* For a brief account of which, see the report of the present Author (who represented our Foundation at UNCED) published on pp. 272–3 of our 19th volume (1993). — Ed.

Many a financier has thrown good money after bad, which hurts. Multilateral funding agencies — not to mention their syndicated lenders — have learnt the same painful lessons. Potential borrowers are finding out that commitment no longer necessarily means payment. Two years after Rio, for example, the GEF's terms of reference are still being worked out; national needs clash with global issues and donors' preferences; solemnly-promised disbursements are still awaited. Worse still, there are those who are beginning to believe that the lack of foreseen financial aid is responsible for the problem itself, and others who see environmentalists as — at best — new-style entrepreneurs. In early 1992, western countries and the IMF each argued that the other should take the lead in supporting Russia's reformers; $50 thousand million were promised for 1992 and 1993, yet practically nothing was forthcoming. The European Union is now (December 1994) showing the same reserve over Ukraine (*Economist*, 1994), itself desperately wrestling with galloping inflation, a rebellious Crimea, and a festering Chernobyl. This is seen in the West as caution, but in the East as sabotage.

The most recent oil spillage in the Komi Republic in the Russian Arctic was immediately seen in the West as an appalling environmental disaster. In disturbing contrast, the Interfax news agency in Moscow claimed that such reports, which 'had clipped $1–2 off the shares of the Komi Oil Company', were put about '... in the interests of those who want to buy Komi Oil for a song' (*Financial Times*, 1994). While taking part in the Citizen Ambassador Program's Environmental Conference in Moscow in August 1994 (and later in Kiev and Chernobyl), the present writer asked why the event had been so poorly attended by local delegates. The inevitable answer was that *no financial assistance* had resulted from the last such conference.

In Agenda 21 (UNCED, 1993), developed countries had reaffirmed their commitments to reach the accepted UN target of 0.7% of their GNP for official development assistance, and, to the extent that they had not achieved that target, agreed to augment their aid programmes in order to reach it as soon as possible. Actually, the figure for all donor states had sunk to 0.29% by the end of 1993 — the lowest percentage figure for twenty years (*Neue Zürcher Zeitung*, 1994).

Environment and the World's Banks

One hundred and sixty national and regional reports, made available to this writer in August 1992 by the UNCED staff in Geneva, showed that an active role for banks was not yet officially envisaged. But the replies to a private survey sent out just before UNCED to 750 Central Banks and commercial banking institutions around the world, provided evidence of an embryonic interest in these new challenges — and in developed as well as developing countries. For some institutions such an interest was indeed compulsory: 9,000 banks in the USA were already looking defensively at the National Environmental Policy Act (NEPA) and the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), under which environmental liability is linked, threateningly, to finance. Prevention is relatively cheap; irreversible damage is infinitely expensive. The choice is yours, Mr Bank Manager.

Since the Rio Conference in mid-1992, certain banks in the developed world have been making laudable progress, at least in their understanding of their own environments. What started off in many cases as a fad to humour environmentally-conscious customers (and to turn a pretty penny in some 'environmental' investment scheme), has grown into a serious study. Environmental reports are beginning to complement annual balance sheets. Banks are learning that respect for the environment can pay, while the opposite can be disastrous. In this context, the application of in-house experience to the outside world is of enormous value, and it was encouraging to read the following words of the Group's Chief Executive in the most recent environment report of a large British bank (NatWest, 1994):

> 'When a bank lends money it gains no more 'control' over the direction of the business than petrol retailers gain over the direction of a car to which they have contributed fuel. Funds are rather like fuel for the business. It is up to the customer to ensure that the funds are deployed responsibly. That is why the NatWest Group is encouraging customers to put in place their own environmental risk management systems aimed at raising standards and performance over time.'

Leading the field of environmental pioneers are banks in Australia, Canada (under the aegis of the Canadian Bankers Association), some European Union member states, New Zealand, and — perforce — the USA. Laggards are in those parts of our all-too-fragile Biosphere where, it must be said, the constructive involvement of local financial institutions would be of crucial importance: the former Soviet Union and most of sub-Saharan Africa.

Development: Local Cash-generation the Key?

A prudent commercial banker assists his borrowing customer to generate his own funds to repay a loan. Internally-generated funds are now given pride of place in any credit assessment. If a banker is involved at an early stage in the betterment of *his own country's* development and environment, he will come more easily to terms with — or, better still, anticipate — local laws defining environmental liability; he will understand EIAs;

and he will be more ready to consider finance for specific projects which, previously, he might have shunned or, at best, left to the multilateral institutions. A golden opportunity exists in developing countries for low-cost, low-technology job creation — itself an antidote for poverty. The theme should be the best possible use of those same natural resources which are being depleted by existing indebtedness. Here it is worth recalling the affirmation by all signatory states of Agenda 21 (UNCED, 1993) that: 'In general, the financing for the implementation of Agenda 21 will come from *a country's own public and private sectors...*' (this writer's italics).

When once he has mastered the theory, the local banker in a developing country will quickly see the logic in augmenting the local currency portion of any finance needed — thereby, increasingly, avoiding the pitfalls of foreign debt, foreign exchange, and foreign interest rates. He will enhance pay-outs and cut costs by shortening the route between lender and borrower. He has the power to unlock the enigma which separates economists from environmentalists.

Hungary's micro-credit scheme (*Economist*, 1993), the Sheil system in Sudan (Khalifa & Nour, 1991), Esther Ocloo's Women and World Banking in Ghana (*Neue Zürcher Zeitung*, 1992), and even Local Exchange Trading Systems in recession-hit parts of the UK (not quite the taxman's favourite!) (*Sunday Telegraph*, 1994) — all these show that it is possible to make a start, however modest. In this the Grameen Bank of Bangladesh's 'Sixteen Decisions' Programme (Hossain, 1988) has now been joined by the Bangladesh Rural Advancement Committee — the biggest NGO in the country and one of the world's largest development aid institutions in terms of the number of people it reaches (*Financial Times*, 1994). Curiously, Grameen Bank is also the model for an unconventional company, called 'Working Capital', which makes loans to needy potential businessmen across New England (*Economist*, 1994). In Malaysia, energy projects are beginning to be financed locally. A substantial part of the funding necessary for the reconstruction of Beirut is coming from local and expatriate Lebanese citizens. From Nizhny Novgorod to Nauru, land ownership is being reviewed, and mortgageable market values are being set. Local cash generation is back!

Whether he represents a traditional bank or a new-style bank-like entity, the local financier has a new role to play in the responsible redistribution of wealth in his own environment. With private capital investment in developing countries increasing by no less than 250% since 1990 (World Bank, 1993), it is an opportune time for banks, around the world, to play their part in bringing environment and development back together again.

REFERENCES

Economist, The (London) (1993). Issue of 27 March, p. 86.

Economist, The (London) (1994). Issue of 10 September, p. 91. *See also* issue of 3 December, p. 33.

Financial Times (1994). Issue of 9 May, p. 28. *See also* issue of 31 October, p. 3.

Global Environmental Facility (1991). UN Environment Programme (UNEP), UN Development Programme (UNDP), and World Bank: *Interim Report of the Independent Valuation of the Global Environmental Facility — Pilot Phase* (draft), Washington, DC, USA, 26 August 1993, [not available for checking].

GOODLAND, R.J.A. (1992). Environmental priorities for financing institutions. *Environmental Conservation*, **19**(1), pp. 9–21, 5 tables and 10 annexes.

HOSSAIN, M. (1988). *Credit for Alleviation of Rural Poverty: The Grameen Bank in Bangladesh*. International Food Policy Research Institute, Research Report 65, [not available for checking].

KHALIFA, M.D. EL & NOUR, H.O. ABDEL (Eds) (1991). *Republic of Sudan National Report*. Government of Sudan, Khartoum, Sudan: p. 200.

MCCAMMON, A.L.T. (1992). [Guest Comment] The need for Environmental Impact Assessment before financing. *Environmental Conservation*, **19**(1), pp. 6–7.

NatWest Group's Environment Report (1994). National Westminster Bank, London, England, UK (NatWest, 1994), p. 4.

Neue Zürcher Zeitung (1992). Issue of 10 September, p. 5.

Neue Zürcher Zeitung (1994). Issue of 10 August, p. 21.

Sunday Telegraph (1994). Issue of 23 January, p. 16.

Time (New York) (1989). Issue of 31 July, p. 7.

UBS Phillips & Drew (1989). *Investing in a Green Europe*. UBS Phillips & Drew Global Research Group, 100 Liverpool Street, London EC2M 2RH, England, UK: [not available for checking].

UNCED (1993). *Report of the United Nations Conference on Environment and Development Rio de Janeiro, 3–14 June 1992*. United Nations, New York NY, USA: Volume I Resolutions Adopted by the Conference. Annex II Agenda 21.33.13, p. 414.

WORLD BANK (1993). *14th World Bank Debt Report*. The World Bank, Washington, DC, USA, [not available for checking.]

ANTONY L.T. MCCAMMON, *Representative*
Cater Allen Bank (Jersey) Limited
Minervastrasse 117
8032 Zürich
Switzerland.