



United Nations  
Environment  
Programme



Distr.  
GENERAL

UNEP/Bio.Div/INC-4/4  
16 August 1991

ORIGINAL: ENGLISH



Intergovernmental Negotiating  
Committee for a Convention  
on Biological Diversity

Fourth session  
Nairobi, 23 September - 2 October 1991

INTERPRETATIONS OF PHRASES "ADEQUATE, NEW AND ADDITIONAL",  
"NEW AND ADDITIONAL" AND "ADEQUATE AND ADDITIONAL"  
FINANCIAL RESOURCES

Note by the Secretariat

1. The present note has been prepared pursuant to the request made by Intergovernmental Negotiating Committee at its third session (see UNEP/Bio.Div/INC.3/11, annex II, para. 7).
2. The concepts of "adequate, new and additional", "new and additional" and "adequate and additional" financial resources are relatively new in international environmental negotiations and are aimed primarily at meeting the special needs, interests and concerns of developing countries regarding their obligations for environmental conservation and sustainable use of natural resources.
3. The origin, content and interpretation of the above concepts can be traced mainly in five categories of international documents:
  - (a) Resolutions of the United Nations General Assembly and Economic and Social Council;
  - (b) Decisions and documents of the UNEP Governing Council;
  - (c) Documents of the Preparatory Committee for the United Nations Conference on Environment and Development;
  - (d) Documents for negotiations on ozone layer protection;
  - (e) Documents for negotiations on a climate Convention.

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A. RESOLUTIONS OF THE UNITED NATIONS GENERAL ASSEMBLY  
AND ECONOMIC AND SOCIAL COUNCIL

4. United Nations General Assembly, by paragraph 11 of its resolution 40/200 of 17 December 1985, reaffirmed, inter alia, "the need for additional resources to assist developing countries in dealing with serious environmental problems".

5. The Environmental Perspective to the Year 2000 and Beyond (General Assembly resolution 42/186, annex) states in its paragraph 62: "Development co-operation projects have not helped build significantly national capabilities to avert environmental disasters. The environmental damage resulting from the execution of some large-scale projects is now better understood than in the past. There is also a growing awareness of the need for additional resources to rehabilitate degraded environments".

6. By paragraph 14 of its resolution 42/187 of 11 December 1987, the General Assembly reaffirmed "the need for additional resources from donor countries and organizations to assist developing countries in identifying, analysing, monitoring, preventing and managing environmental problems in accordance with their national development plans, priorities and objectives".

7. The Economic and Social Council by paragraph 1 of its resolution 1989/101 of 27 July 1989, entitled "Strengthening international co-operation on the environment: provision of additional financial resources, stated "that increasing attention needs to be paid to the provision of new and additional financial resources to developing countries for environmental programmes and projects, so as to ensure that their development priorities are not adversely affected and that such provision should be kept under more effective and continuous review".

8. By paragraph 14 of its resolution 44/207 of 22 December 1989 on protection of global climate for present and future generations of mankind, the General Assembly encouraged "Governments and relevant international organizations to further the development of international funding mechanisms, taking account of proposals for a climate fund and other innovative ideas, bearing in mind the need to provide new and additional financial resources to support developing countries in identifying, analysing, monitoring, preventing and managing environmental problems, primarily at their source, in accordance with national development goals, objectives and plans, so as to ensure that development priorities are not adversely affected".

9. The issue of additional resources received an extensive treatment in General Assembly resolution 44/228 of 22 December 1989 on United Nations Conference on Environment and Development, in which the General Assembly, after recognizing in the final paragraph of the preamble "that new and additional financial resources will have to be channelled to developing countries in order to ensure their full participation in global efforts for environmental protection", decided, by section I, paragraphs 15 (j), (k) and (v) of the resolution, that among the objectives of the Conference scheduled for June 1992 would be:

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(a) "To identify ways and means to provide new and additional financial resources, particularly to developing countries, for environmentally sound development programmes and projects in accordance with national development objectives, priorities and plans and to consider ways of effectively monitoring the provision of such new and additional financial resources, particularly to developing countries, so as to enable the international community to take further appropriate action on the basis of accurate and reliable data";

(b) "To identify ways and means of providing additional financial resources for measures directed towards solving major environmental problems of global concern and especially of supporting those countries, in particular developing countries, for whom the implementation of such measures would entail a special or abnormal burden, owing, in particular, to their lack of financial resources, expertise or technical capacity";

(c) "To quantify the financial requirements for the successful implementation of Conference decisions and recommendations and to identify possible sources, including innovative ones, of additional resources".

#### B. DECISIONS AND/OR DOCUMENTS OF THE UNEP GOVERNING COUNCIL

10. The following quotations from the overview of system-wide activities relevant to General Assembly resolution 44/228 circulated at the second special session of the UNEP Governing Council (see UNEP/GCSS.II/Inf.3), may clarify interpretation of the concepts in question:

(a) "The increased concern about and need to integrate environment and development to achieve sound economic growth will have additional costs which will require funding that is additional to the massive investments required to meet the urgent economic and social objectives of developing countries to alleviate poverty. ... The need to act to promote sustainable development and address global problems makes additional funding essential, especially for developing countries." (para. 197);

(b) "... Consideration of additional funding for sustainable development is taking place within (i) the Project for International Conservation Financing, carried out by the UNDP, World Resources Institute and others, (ii) the Montreal Protocol's open-ended working group on means to enable developing countries to participate further in the Protocol, (iii) the Intergovernmental Panel on Climate Change to enable developing countries to participate in its activities, (iv) the World Bank, UNDP and UNEP's consideration of a global environmental facility and (v) IFAD's analysis of modalities of a 'financial mechanism' to secure net additional concessional resources for environmental elements of IFAD projects, available in January 1991." (para. 199);

(c) "... Governments, especially in the developing countries, require additional financial resources to carry out current development/environment activities, new activities for sustainable development and to meet added global environmental requirements, such as ozone layer depletion, climate change, loss of biodiversity, and hazardous wastes." (para. 201);

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(d) "... There is a great shortage of financial flows to developing countries, in particular for environmental protection, sustainable development and participation in global issues. New means should be found for additional dedicated sustainable development funds in development assistance organizations and lending institutions, new funding means and facilities, mechanisms for obtaining private funding, and co-financing from public and private sources." (para. 203).

C. DOCUMENTS OF THE PREPARATORY COMMITTEE FOR THE UNITED NATIONS  
CONFERENCE ON ENVIRONMENT AND DEVELOPMENT

11. Various references to and interpretations of the concepts in question may be found in the "Progress report on financial resources: report of the Secretary-General of the Conference" submitted to the Preparatory Committee for the United Nations Conference on Environment and Development at its second session (A/CONF.151/PC/18):

(a) "At the national level, dealing with environmental problems ... will require preventative as well as curative measures. ... they will require additional funding from internal or external sources." (p. 2, third paragraph);

(b) "... it should be underlined that implementation of an effective environment strategy will almost certainly require additional capital resources. With the extra pressures which accrued in 1980s, developing countries will need substantial additional amounts of highly concessional financing from the outside for this purpose." (p. 2, fourth paragraph);

(c) "For the global issues, there is a special case for additional financing beyond amounts usually available for supporting more rapid development. The most important contribution to solving global problems in the short run will be through action in the industrial countries, which will have to find funding for this purpose through re-allocation of internal resources. But, increasingly, poorer developing countries will become partners in dealing with the global issues, and these will need substantial outside financing in order to enable them to take action which quite often arise from problems not of their making or which generate benefits of global character." (p. 5, second paragraph);

(d) "... developing countries will require substantial increases in the external resources available to them to enable them to integrate provision for protection and improvement of the environment into their ongoing development policies and practices while achieving the increased levels of development required to meet the needs of their people." (p. 5, second paragraph);

(e) "... it is already evident that the amounts required will be far beyond current levels of funding and will require an in-depth re-examination of existing sources and methods of funding and consideration, as required by General Assembly resolution 44/228, of new and innovative approaches to meeting these financial needs." (p. 7, second paragraph);

(f) "... the raising of new and additional financial resources does not necessarily require creation of new organizations or mechanisms for dispensing and deploying these resources. The World Bank, the Regional Development Banks, UNDP and various other agencies, organizations and programmes of the United Nations system have existing and well-established capacities which can be used to manage such new and additional funds." (p. 8, second paragraph).

12. The report also identified several important questions to be considered with regard to the concept of additional financial resources:

(a) "Should the funding arrangements provided for in such agreements be based on the principle of meeting the full incremental costs to developing countries of acceding to them, as in the case of London amendments to the Montreal Protocol?" (p. 4, second paragraph, subparagraph (i));

(b) "What criteria should be used to establish "additionality" over and above present levels of official development assistance?" (p. 5, fourth paragraph, subparagraph (iii));

(c) "The degree to which the principle of burden-sharing should be applied to new and additional sources of funding and the degree to which it is appropriate to continue to rely on voluntary funding on a basis that does not give effect to burden-sharing;" (p. 7, fourth paragraph, subparagraph (iii));

(d) "The possibilities of imposing levies, taxes or user fees on environmentally-damaging activities or products, such as a carbon tax, and utilizing part of the proceeds to provide the new and additional financial resources required to meet international funding needs;" (p. 7, para. iv);

(e) "The possibilities that some portion of the needs for new and additional financial resources may be provided through debt reduction, including innovative approaches like "debt-for-nature" swaps;" (p. 8, para. v));

(f) "The possibilities that new and additional resources might be made available to developing countries through establishment of a system of tradeable emission permits as proposed by UNCTAD;" (p. 8, para. (vi));

(g) "The degree to which new and additional resources may be made available through private investment and the measures required to encourage and facilitate this;" (p. 8, para. (vii));

(h) "The prospects for and feasibility of establishing a non-governmental or people's fund which would solicit contributions and investment from individuals and other private sources, preferably with the encouragement and support of governments, to help meet the new and additional financial needs, particularly those which can best be met through non-governmental organizations and programmes." (p. 8, para. (viii)).

13. The report was discussed at the second session of the Preparatory Committee where a number of delegations made statements on the matter (see report of the Preparatory Committee for the United Nations Conference on

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Environment and Development on the work of its second session (A/46/48 (part I)), para. 59). In the statement made by Ghana on behalf of the Group of 77, it was emphasized that the use of the word "additional" explains that targets must be set over and above the existing levels of assistance. It was also added that mandatory schemes for funding environmental programmes must form an important element of any funding arrangement: "when funding becomes essentially voluntary the funds become starved of resources".

#### D. NEGOTIATIONS ON OZONE LAYER PROTECTION

14. Various documents for negotiations on a financial mechanism under the Montreal Protocol on Substances that Deplete the Ozone Layer contain references to the concepts in question.

15. In the opening statement at the first session of the first meeting of the Open-Ended Working Group of the Parties to the Montreal Protocol, the Executive Director of UNEP in identifying the needs of developing countries noted that "their reticence to ratify the Montreal Protocol was due to lack of the resources necessary to meet its requirements without serious disruption of their development efforts; what they needed was concessional funding and outright grants additional to existing aid programmes" (UNEP/OzL.Pro.WG.I(1)/3, para. 2). The issue of financial resources was debated by the Working Group. Although the time constraints prevented the Working Group from agreeing on the precise wording, the report stated:

"[While the concept of "additionality" was hard to define, it was agreed (a) the totality of funds flowing to developing countries should show an increase and (b) that there must be burden sharing amongst the industrialized donor countries. However, a formula for burden sharing remained to be identified.]" (UNEP/OzL.Pro.WG.I(1)/3, para. 26).

16. In his introductory statement at the second session of the second meeting of the Open-Ended Working Group, the Executive Director of UNEP "noted the significant convergence of opinions on many issues including, most importantly, the need for the creation of an appropriate funding mechanism based on the principle of additionality" (UNEP/OzL.Pro.WG.II(2)/7, para. 5). He went on to outline several principles of a general agreement as a basis for the development of a financial mechanism for consideration by the Working Group, and, in particular:

"First and foremost, in order to ensure global co-operation, a new funding mechanism must be established and its funds must be additional to existing development assistance." (UNEP/OzL.Pro.WG.II(2)/7, para. 6 (a)).

In the general debate on the issue of additionality, "all delegations approved the principle of additionality after one delegation had sought and obtained clarification regarding the meaning of the term" (UNEP/OzL.Pro.WG.II(2)/7, para. 41).

17. Several proposals were made during the session. The proposal by China, Finland, the Group of 77 and the Netherlands entitled "Elements to be considered for financial mechanism to be included in the Montreal Protocol" contained the following element:

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"The contributions to the Fund shall be additional to other financial flows to the countries operating under Article 5 of the Protocol." (UNEP/OzL.Pro.WG.II(2)/7, annex I, para. 3).

18. The proposal by the United Kingdom entitled "Elements for a decision or an amendment" included the following element:

"The contributions to the funding mechanism shall be additional to other financial flows to the developing countries." (UNEP/OzL.Pro.WG.II(2)/7, annex II, para. 9).

19. The proposal by the Executive Director contained a similar provision:

"Contributions to the Fund shall be additional to other financial flows to the countries operating under Article 5 of the Protocol." (UNEP/OzL.Pro.WG.II(2)/7, annex III, para. 4).

20. The issue of additionality was further discussed by the second session of the third meeting of the Open-Ended Working Group. All delegates, except one, who took the floor on the issue "supported the principle of additionality as agreed at the second session of the second meeting of the Working Group" (UNEP/OzL.Pro.WG.III(2)/3, para. 18). In a joint statement, the States members of the Group of 77 attending the meeting and China emphasized the importance of establishing a financial mechanism to enable the developing countries implement the provisions of the Montreal Protocol. They stressed that "the funds to be provided to developing countries would have to be additional to existing financial flows of development aid and financing" (UNEP/OzL.Pro.WG.III(2)/3, para. 19).

21. The Working Group proposed for consideration by the Second Meeting of the Parties to the Montreal Protocol a financial mechanism including the following provision:

"Contributions under the Financial Mechanism shall be additional to other financial flows to such [i.e. developing] countries." (UNEP/OzL.Pro.WG.III(2)/3, annex I, para. 1).

22. On the basis of the recommendations of the Open-Ended Working Group, the Second Meeting of the Parties to the Montreal Protocol adopted the Amendment to the Montreal Protocol on Substances that Deplete the Ozone Layer (UNEP/OzL.Pro.2/3, annex II), including the following provisions:

- (a) The seventh paragraph of the preamble to the Protocol is replaced by the following:

"Acknowledging that special provision is required to meet the needs of developing countries, including the provision of additional financial resources and access to relevant technologies, bearing in mind that the magnitude of funds necessary is predictable, and the funds can be expected to make a substantial difference in the world's ability to address the scientifically established problem of ozone depletion and its harmful effects."

(b) Article 10 is replaced by a new text, which includes the following:

"The mechanism, contributions to which shall be additional to other financial transfers to Parties operating under that paragraph, shall meet all agreed incremental costs of such Parties in order to enable their compliance with the control measures of the Protocol."

#### E. NEGOTIATIONS ON A CLIMATE CONVENTION

23. The negotiations for a convention on climate change are at an early stage. However, the issue of "new, additional and adequate" financial resources has been put on the negotiating agenda. The report of the Intergovernmental Negotiating Committee on the work of its second session (A/AC. 237/9) summarizes the relevant discussion as follows:

"In discussing financial resources and technology there was general acceptance that all developing countries which become Parties to the Convention will need additional financial resources and transfer of technology to enable them to meet their obligations under the Convention ... Several delegations were of the view that:

- "(a) a new fund should be established by the Parties under the Convention to compensate the developing countries for the incremental costs they would incur through the adoption of the appropriate measures under the Convention to meet their obligations;
- "(b) the fund should be administered by the Parties and contributions should come from the industrialized countries;
- "(c) the financial resources to be allocated should be new, additional and adequate and should not be diverted from existing bilateral or multilateral financial arrangements." (para. 54).

#### F. CONCLUSIONS

24. The above analysis of the cited documents shows that:

- (a) The term "additional" is used to mean additional to other financial [transfers], [existing financial flows] of development aid and financing to developing countries;
- (b) The question of the criteria to establish "additionality" over and above existing transfers is still open;
- (c) The word "new" has been mainly interpreted as new and innovative sources of funding and financial mechanisms; and
- (d) The word "adequate" has been mainly interpreted as [meeting all agreed incremental costs of developing countries Parties in order to enable their compliance with the provisions of (the treaty)]; [in order to ensure the full participation of developing countries in global efforts for environmental protection].

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