

**UNITED NATIONS ENVIRONMENT PROGRAMME  
(UNEP)**

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**Environmental Economics Unit  
(EEU)**

**UNEP/WORLD BANK WORKSHOP ON THE ENVIRONMENTAL  
IMPACTS OF STRUCTURAL ADJUSTMENT PROGRAMMES**

**and**

**THE UNEP/UNCTAD EXPERT GROUP MEETING  
ON INTERNALIZATION OF ENVIRONMENTAL COSTS**

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The views and interpretation reflected in this document are those of the author and do not necessarily reflect an expression of opinion on the part of the United Nations Environment Programme.

**UNEP/World Bank Workshop on the Environmental  
Impacts of Structural Adjustment Programmes**

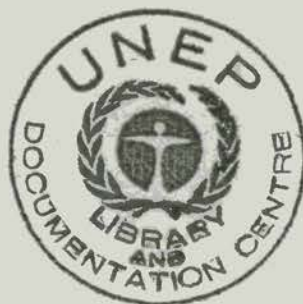
**New York, 20-21 March 1995**

**and**

**UNEP/UNCTAD Expert Group Meeting  
on Internalization of Environmental Costs**

**New York, 10-11 April 1995**

**Report of the Workshop and Meeting  
Hussein Abaza  
Meeting/Workshop Organizer and Rapporteur**



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**UNEP/World Bank Workshop on the Environmental  
Impacts of Structural Adjustment Programmes**



## Summary of Discussions and Conclusions

### (A) Preamble

UNEP in collaboration with the World Bank organized a workshop on the environmental impacts of structural adjustment programmes. Some 31 experts representing developing countries, countries in transition, non-governmental organizations and research institutions and UN agencies were invited to participate in the workshop. The objective of the workshop was to review the current state of knowledge on the environmental impacts of structural adjustment programmes (SAPs), with the objective of indicating specific practical improvements in the design and implementation of ongoing economic reform activities, and identifying priorities for future work to enhance their effectiveness.

A stable, equitable and rational macroeconomic framework is a necessary but not a sufficient condition for sustainable development. Economic and structural reforms are urgently needed, therefore, to promote sustainable development. SAPs are packages of economic reforms specifically designed to enhance the recovery of economies in crises. Every effort must be made to redesign existing adjustment programs to address social and environmental issues. Future adjustment programs must seek to integrate social and environmental objectives into their core logic.

Efficient management of natural resources is essential for sustainable development and poverty alleviation. However, SAPs and other economy-wide policies that have been designed to address macroeconomic development have largely ignored environmental impacts, particularly the effects of such policies on the incentives and disincentives for efficient resource use and environmental protection. This omission has meant that SAPs and other economy-wide policies may be counter-productive in meeting their stated objectives, and in some cases even exacerbate other market and policy failures.

A key aim of SAPs and related economic policy reforms is a more efficient allocation of productive resources within the economy, often characterized by increased production of tradable goods. This can have different environmental and distributional implications, depending on the underlying market and policy conditions affecting these sectors.

In most countries, SAPs have had two major effects. First, there has been a strong substitution effect in favour of exports. Second, there has been a strong distributional effect through change in both public expenditures and relative prices. The second effect has exacerbated poverty at least in the short and medium term.

Both effects may result in increased environmental damage. This is the case, for example, in low income countries dependent on natural resource exports which lack (a) appropriate property rights in environmental resources and (b) adequate environmental protection measures.

The main causes of environmental degradation are to be found in market failures and policy distortions, but the severity of the consequences of these failures can vary depending on the distributional and other effects of SAPs.

(B) ***Design***

- (1) Particular emphasis should be placed on win win policies that have combined economic, environmental and social gains.
- (2) SAPs should address market failures as well as policy distortions. The absence of environmental costing should be treated no different from financial subsidies.
- (3) There is a need to anticipate environmental, and social effects of SAPs and address them through a package of mutually reinforcing economic, social, and environmental measures.
- (4) Deregulation and liberalization associated with SAPs should be preceded or at least be accompanied by the introduction and application of economic instruments (environmental taxes and charges, bonds, deposit-refund systems, etc) and stricter enforcement of necessary environmental regulations.
- (5) When adequate internalization of environmental and social cost (full-cost pricing) is not possible, SAPs should incorporate as an integral part sustainability indicators, constraints and rules.
- (6) In designing SAPs, it is necessary to take into account national objectives and priorities, as well as institutional capabilities, and social and cultural contexts.
- (7) SAPs should be designed taking into account the uncertainties, cost and constraints of the globalization of the international economy, (economic, financial and environmental pressures).

(C) ***Implementation***

- (1) The sequence of policy reforms associated with SAPs is of critical importance. SAPs should, for example, consider introducing appropriate environmental policies at the beginning as part and parcel of adjustment, and evaluate them continuously. SAPs need to take into account short and long-term environmental effects with special consideration of irreversible impacts. SAPs should be designed as an on-going process, and provide for a monitoring and corrective mechanism to ensure flexibility and responsiveness to changing economic, social, and environmental conditions.
- (2) Incomplete implementation of reforms may be worse than no reforms. It is essential to select realistic reforms and targets in order to ensure complete implementation, rather than overly ambitious reforms that are partially and selectively implemented.



- (3) There is a need to enhance institutional capacities in developing countries and countries in transition in preparation for and as part of SAPs. This includes encouraging increased public participation, transparency, the involvement of stakeholders (NGOs, private sector, local communities, women's groups, and the general public, etc.) to enforce acceptability and implementation of the proposed programmes and their reflection of the countries' needs and priorities.
- (4) There is a need to improve the coordination of SAPs related activities and programmes supported by United Nations organizations, multilateral banks, international development organizations and international donor agencies.

**(D) *Evaluation***

- (1) In assessing environmental and social effects of SAPs, it is important to compare the situation with and without rather than before and after.
- (2) There is a need to develop and link environmental accounting matrices with SAPs, to improve quantification of environmental effects of economy-wide policies, to develop performance indicators, and to capture general and dynamic equilibrium effects.
- (3) There is a need for improved, comprehensive modelling of economic, social and environmental effects of SAPs. Modelling should better include direct and indirect effects; the relationship between formal and informal sectors; assessments to go beyond the first round of SAP implementation; the need to capture general equilibrium linkages, dynamic effects and two-way feedbacks.
- (4) Assessments of SAPs-environment-social interface should include both the impacts of economic activities on the environment, the economic consequences of those impacts, as well as the implications of the environmental policies for the economy. The process of analysis should bring about better coordination between economic and environmental policy-makers.

**(E) *CONCLUDING STATEMENT***

The main messages of the workshop for (a) international financial institutions is to incorporate social and environmental objectives in the design of SAPs explicitly; (b) governments implementing SAPs to enforce and implement economic, social and environmental measures fully and effectively; (c) donors to coordinate policies and aid programmes and make them consistent with the economic, social and environmental objectives of the country; (d) NGOs and other stakeholders work closely with governments to take into account environmental social and cultural considerations and, finally, (e) academicians and researchers to adopt methodologies to help design better SAPs and ensure convincing evaluations.

## Annex II

### **Annotated Agenda**

**Monday, 20 March**

**09:00-09:30**

**Registration of participants**

**09:30-09:45**

**Welcoming and Opening Remarks and adoption of Agenda**

**09:45-10:30**

**Session I: Structural Adjustment Programmes and the Environment**

Main objectives of structural adjustment programmes (SAPs), underlying assumptions, instruments and economic outcomes. Selection of appropriate indicators for measuring the impacts of economic activity on the environment. Possibilities of economic assessment of economic policies.

**10:30-11:00**

**Break**

**11:00-12:30**

**Session II: Implementation distortions**

Policy, market and institutional imperfections, environment-related assumptions of adjustment programmes, direct links, e.g. growth and structural shifts, indirect links e.g. employment and distribution, identifying methods and models to examine linkages and feedback mechanisms. Effects on government spending and public investment.

**12:30-14:00**

**Lunch**

**14:00-15:30**

**Session III: Review of existing case studies**

Review of case studies, WWF, WRI and others, synthesis of main findings and consideration of the need for further research.

**15:30-16:00**

**Break**

**16:00-17:30**

**World Bank perspective on environmental impacts of SAPs**

Presentation of World Bank paper and a review of their case studies in light of debate, identification of emerging issues.



**Tuesday, 21 March**

**09:00-10:30**

**Session IV: Integrating Environment and Structural Adjustment**

Sustainability and structural adjustment, designing better structural adjustment programmes, building in sustainability and economy-environment feedback mechanisms, the importance of institutional reforms and economic instruments, parallel policies and sequencing activities, bridging the gap between design and implementation and capacity-building for governments and international development agencies.

**10:30-11:00**

***Break***

**11:00-12:30**

**Session V: Continuation**

**12:30-14:00**

***Lunch***

**14:00-16:00**

**Session VI: Conclusions and Recommendations**

Main conclusions and recommendations for future work; assistance required from the international community, including UN organizations, international development institutions, multilateral development banks, bilaterals and NGOs; role of UNEP; etc.

**16:00-16:30**

***Break***

**16:30-17:30**

**Continuation**

### Annex III

#### List of Participants

**ARDA, Mehmet**  
Chief, Environmental Issues Section  
UNCTAD  
311 E 54th Street  
Palais des Nations CH-1211 Geneva 10  
TEL: (41 22) 907 5790  
FAX: (41 22) 907 0047

**BARBIER, Edward B.**  
Senior Lecturer  
Department of Environmental Economics & Environmental Management  
University of York  
Heslington, York YO1 5DD  
TEL: 44-904-432-060  
FAX: 44-904-432-998

**BARCENA, Alicia**  
Executive Director  
Earth Council  
P.O. Box 2323-1002  
San Jose, Costa Rica  
TEL: (506) 256-2452  
FAX: (506) 255-2197

**BARDE, Jean-Philippe**  
Environment Directorate  
OECD  
2 rue A. Pascal  
75775 Paris Cedex 16  
TEL: 331 452 49 022  
FAX: 331 452 47 876

**BISHOP, Joshua**  
Director, Environmental Economics Programme  
International Institute of the Environment and Development (IIED)  
3 Endsleigh Street  
London WC1H 0DD  
TEL: (44-171) 388-2117  
FAX: (44-171) 388-2826

**BRATASIDA, Liana**  
 Director for Technical Guidance  
 Indonesia Environmental Impact Management Agency  
 Arthaloka Building, 11th Floor  
 Jendral Sudirman No. 2  
 Jakarta 10220 Indonesia  
 TEL: (021) 251-2459  
 FAX: (021) 251-2459

**BRITO, Elizabeth Joana Graybill Do Nascimento**  
 Executive Director  
 Brazilian Chapter of IAIA  
 Marques Sao Vicente 124/3/707  
 CEP 22451-040  
 Rio Janeiro, Brazil  
 TEL: (55 21) 294-3818  
 FAX: (55 21) 259-5327

**CHAIBVA, Shem**  
 Chief Natural Resources Officer  
 Ministry of Environment  
 P.O. Box CY385  
 Causeway Harare, Zimbabwe  
 TEL: 263 4 705671  
 FAX: 263 4 793123

**CLEVELAND, Cutler**  
 Professor  
 Boston University  
 Center for Energy & Environmental Studies  
 675 Commonwealth Avenue  
 Boston, MA 02215  
 TEL: (617) 353-3083  
 FAX: (617) 353-5986

**COSTANZA, Robert**  
 Professor  
 University of Maryland  
 International Society for Ecological Economics  
 Box 38  
 Solomons, MD 20688  
 TEL: (410) 326-7263  
 FAX: (410) 326-7354



**FAIZ BILQUEES, Firoze**  
 Senior Research Economist  
 Pakistan Institute of Development Economics  
 P.O. Box 1091  
 Islamabad, Pakistan  
 TEL: 854 218 812440  
 FAX: 92-51-210886

**GANDHI, Ved P.**  
 Assistant Director  
 Fund Fiscal Affairs Department  
 International Monetary Fund  
 700 19th Street NW  
 Washington DC 20431  
 TEL: (202) 623-8536  
 FAX: (202) 623-4259

**KASHAMBUZI, Eric**  
 Senior Programme Manager  
 UNDP  
 ONE UN PLAZA  
 NEW YORK, NY 10017  
 TEL: (212) 906-5920  
 FAX: (212) 906-5974

**KRUGMANN, Hartmut H.**  
 Senior Programme Specialist  
 IDRC/UNEP  
 P.O. BOX 62084  
 Nairobi, Kenya  
 TEL: (254 2) 623-460  
 FAX: (254 2) 711-063

**KUMAR, Ritu**  
 Research Associate  
 Int'l Institute for Environment & Development  
 c/o IIED, 3 Endsleigh Street  
 London WC1H 0DD  
 TEL: 44-71-388-2117  
 FAX: 44-71-388-2826

**LEAL, Jose**  
Environmental Affairs Officer  
ECLAC, United Nations  
ECLAC, Casilla 179-D  
Santiago, Chile  
TEL: (562) 210-2293  
FAX: (562) 208-0252

**LEE, Norman**  
Director, EIA Center  
Planning Department, University of Manchester  
Manchester M13 1PL UK  
TEL: 61 275 6873  
FAX: 61 275 6843

**MCMULLEN, Catherine Patricia**  
Deputy Coordinator  
Office of Environmental  
Assessment and Stewardship (JEN)  
Canadian Department of Foreign Affairs &  
International Trade  
JEN 125 Sussex Drive  
Ottawa, Ontario  
Canada K1A 0G2  
TEL: (613) 944-0014  
FAX: (613) 944-0432

**MUGO, Reuben Vincent**  
Director, National Environment Secretariat  
Ministry of Environment & Natural Resources  
P.O. Box 67839  
Nairobi, Kenya  
TEL: (254 2) 213 774  
FAX: (254 2) 338-272

**PANAYOTOU, Theodore**  
HIID, Harvard University  
Director, International Environment Program  
One Eliot Street  
Cambridge, MA 02138  
TEL: (617) 495-9173  
FAX: (617) 496-3956

**PARIKH, Kirit S.**

Director  
 Indira Gandhi Institute of Development Research  
 Film City Road  
 Goregaon (East)  
 Bombay 400065 India  
 TEL: 9122-840-0919  
 9122-840-0918  
 FAX: 9122 840-2026  
 9122 840-2752

**PERELET, Renat**

Research Leader  
 International Independent University of Ecology & Politology  
 Prospelet 60-Let Oktyabrya 9  
 Moscow 112317, Russia  
 TEL: 7 095 135 4322 or 128 9385  
 FAX: 7 095 938 2209 or 124 9553

**PERRINGS, Charles A.**

Professor  
 University of York  
 Department of Environmental Economics & Environmental Management  
 Heslington, York YO1 5DD UK  
 TEL: 44 904 432 999  
 FAX: 44 904 432 998

**RAWSKA-OLEJNICZAK, Yolanta**

Chief Specialist  
 Ministry of Environmental Protection  
 Natural Resources and Forestry  
 Department of International Cooperation  
 00-922 Warsaw  
 52/54 Wawelska Street, Poland  
 TEL: (4822) 256435  
 FAX: (4822) 253972

**REED David W.**

Worldwide Fund for Nature - WWF (Washington)  
 1250 24th Street NW  
 Washington DC 20037  
 TEL: (202) 778-9602  
 FAX: (202) 293-9211



**REPETTO, Robert**  
Vice President & Senior Economist  
World Resources Institute  
1709 NY Avenue NW  
Washington, DC 20006  
TEL: (202) 662-3482  
FAX: (202) 638-0036

**SHQUEIR, Adnan Ali**  
Environment Planning Office  
Bethlehem University  
P.O. Box 9  
Bethlehem, West Bank via Israel  
TEL: 972-2-741242  
FAX: 972-2-744440

**TOGNETTI, Sylvia S.**  
Research Fellow  
Maryland Institute for Ecological Economics  
P.O. Box 38  
Solomons, MD 20688  
TEL: (410) 326-7366  
FAX: (410) 326-7354

**VERCUEIL, Jacques**  
Chief, Agriculture Sector in Economic Development  
FAO  
C332 - FAO, viale delle Terme di Caracalla  
00156 Rome, Italy  
TEL: (396) 522 54 345  
FAX: (396) 522 53 152

**VIRYASIRI, Sawacon**  
Assistant Professor  
Faculty of Social Sciences & Humanities  
Mahidol University  
Salaya, Nakornpathom 73170  
Thailand  
TEL: 4419324  
FAX: 4419738

**ZHONG, Ma**

Deputy Director and Professor

Institute of Environmental Economics, Renmin University, Beijing

Beijing, China

TEL: (86 1) 253-4561

FAX: (86-1) 255-4610

**UNEP****ABAZA, Hussein**

Chief, Environment &amp; Economics Unit

UNEP

P.O. Box 30552

Nairobi, Kenya

TEL: 254-2-624-268

FAX: 254-2-623-3371

**CAMPBELL, Laura B.**

Senior Legal Officer

UNEP Regional Office for North America

Two UN Plaza, DC2-803

New York, NY 10017

TEL: (212) 963-8142

FAX: (212) 963-7341

**SCHANZENBACHER, Bernie**

Programme Officer

UNEP

Environment &amp; Economics Unit

P.O. Box 30552

Nairobi, Kenya

TEL: (254 2) 623-371

FAX: (254 2) 624-268

**VAUGHAN, Scott**

Chief, Environment &amp; Trade

UNEP

15 Chemin des Anemones

1219 Chatelaine

Geneva, Switzerland

TEL: 41-22-979-9288

FAX: 41-22-796-9240

**WORLD BANK**

**MUNASINGHE, Mohan**  
Division Chief for Environmental Policy  
World Bank  
Division for Environmental Policy  
4201 East West Highway  
Chevy Chase, MD 20815 USA  
TEL: (202) 473-3204  
FAX: (301) 656-8404