

Developing Countries and the Environment:

What Can Developed Countries Do to Help?

A. Technology transfer

- Note that most technology is developed in the top industrialized economies. Thus, diffusion is important.
 - There must be incentives for people in developing countries to adopt technology, *and* for developed country firms to create the technology.
 - If developed country firms will not create the technology, government involvement will likely be necessary.
- Note that technology must be compatible with local labour skills and the local environment.

B. Debt for nature swaps

- Many developing countries owe large sums of money to developed countries, such as to commercial banks.
- In debt-for-nature swaps, environmental organizations buy portions of the debt and retire it in return for environmental preservation efforts in the developing country.
 - Because the loans might not ever be repaid, the environmental groups can buy the debt for a fraction of the cost.
 - Enforcement is a problem.
- Providing credit for carbon sinks is a similar alternative.

C. Encourage the development of institutions to help enforce and carry out environmental regulations.

D. Changing the focus of international aid

- Placing more emphasis on the environmental impact of a project, and less on large scale infrastructure (e.g. large hydropower projects).
- Note that international organizations have begun to change their focus to help. For example, the World Bank formed an Environmental Department to include environmental benefits in cost-benefit analysis.

E. Further suggestions?