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Regional Office for Latin America and the Caribbean**

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Financing for Sustainable Development

Agenda Item 7: Special Session on the Implementation of the Latin American and Caribbean Initiative for Sustainable Development (ILAC)

7.2. Financing for Sustainable Development

At its Fourteenth Meeting, the Forum of Ministers adopted decision 5 on Financial Mechanisms. In this decision, the Ministers emphasized that the efforts and needs of the countries of the region require financial resources and instruments necessary to help solve priority problems in areas such as: water resources management; access to genetic resources and equitable distribution of benefits; human settlements, vulnerability and land-use management; renewable energy; trade and environment; economic instruments and fiscal policy; climate change; and environmental indicators. Consequently they urged the ITC member agencies, in conformity with their respective mandates, to provide the resources needed to support the regional implementation of the Barbados Programme of Action, making use of the implementation mechanisms of the 2004-2005 Regional Action Plan. Furthermore, at the ITC meeting held in Panama in July 2005, the ITC member agencies reported on various mechanisms and funds to finance projects linked to the ILAC objectives and priorities.

*For consideration of this item, the ITC agencies and other financing institutions that collaborate in implementing the ILAC will present papers, after which the Ministers and Heads of Delegation will make statements. (See document **UNEP/LAC-IG.XV/5**).*

I. Introduction

1. In 1992, the United Nations Conference on Environment and Development, also known as the "World Summit", launched the transition process towards a new development model proposal identified as sustainable development. On that occasion, Agenda 21 identified the financial and technical resources needed to make sustainable development a reality, particularly in the developing countries. At the Millennium Summit, held in the year 2000, Heads of State and Government throughout the world adopted by common accord a long-term plan to facilitate the attainment of global goals in the early twenty-first century. These goals included development, poverty eradication and the protection of our common environment.

2. The challenge of how to finance the sustainable development goals at the international, regional and national level was one of the central objectives of the World Summit on Sustainable Development held in Johannesburg in August 2002. The Summit adopted a plan of implementation that revitalizes multilateral cooperation and helps the developing countries effectively to take advantage of available financial resources and to establish partnerships with the private sector, bilateral sources and non-governmental organizations.

3. The Millennium Development Goals and the Johannesburg Plan of Implementation serve as a benchmark for quantifying the advances made and the fulfilment of financial and other commitments. Although national resources will continue being the most important source of financing for sustainable development, it is understood that international public and private resources, including those channelled through the financial mechanisms established in the Rio conventions, will continue being of crucial importance.

4. In this context, the Latin American and Caribbean Initiative for Sustainable Development (ILAC), recognized at the Johannesburg Summit as a regional instrument through which efforts are being made to achieve sustainable development in the region, has established goals and targets whose achievement requires financial support.

II. Some elements for Discussion on Financing for Sustainable Development

5. The United Nations has detected an obvious gap between aspirations and realities regarding the achievement of sustainable development goals in Latin American and the Caribbean. Thus, it proposes to analyse its causes, focusing on an analysis in the sphere of integration, consistency and coordination of public policies. There is reasonable consensus that the results being attained in relation to the targets outlined in national environmental legislation and general environmental laws to reverse the processes of environmental degradation now under way are far from satisfactory.

6. One of the outstanding items on the political agenda of the environmental authorities is the financing of effective national environmental management systems under the conditions of fiscal limitations that prevail in our region, as well as the identification of distortions and “coordination failures” in sectoral policies.

7. An analysis of the application of economic instruments in environmental management in Latin America and the Caribbean concluded in a diagnosis that most of the countries still need to build a juridical and operative institutional platform to enable effective collaboration between environmental and fiscal authorities in formulating, designing and implementing integrated policies aimed at national environmental management and sustainable development policies.

8. Another characteristic to be taken into account or an aspect of particular importance in our region is the prevailing financial limitations environmental management faces, together with the need to have better information and assessment of public and private environmental spending and investment. The countries of the region have been making efforts to allocate resources for environmental themes and thereby contribute to their environmentally sustainable development. However, no widespread increase in the public environmental budget in the past decade is evident, and the budget has been affected by strong oscillations linked to the economic circumstances of the countries. This is related to the relative fragility of environmental institutionality. Efficiency in this expenditure and in different public-private strategies to provide environmental services and protect the environment should be analysed to fine-tune and distinguish these public environmental spending figures. It should also be noted that a large number of sectoral ministries – that is, non-environment ministries – and autonomous entities are included in environmental budget management. This, together with administrative decentralization, reinforces the need for significant interinstitutional coordination.

III. Objective of the Special Session on Financing for Sustainable Development

9. Consequently, the main objective of this special session is to analyse the situation for financing environmentally sustainable development in Latin America and the Caribbean, and to identify options for improving coordination and governance of environmental and economic policies, particularly fiscal and sectoral policies, proposing bridges to facilitate better dialogue and promote cooperation among environmental authorities of the region on the themes of financing and economic instruments for environmental management. To that end, brief statements on the countries’ practices and experiences will provide us with information on the results that have been positive in some processes and what limitations and challenges still persist in these themes.

IV. Procedure for the Special Session on Financing for Sustainable Development

10. First of all, there will be brief presentations on national experiences and innovative financing mechanisms. The session will begin with a presentation on an experience in a country that has recently established a special national fund to support greenhouse-gas reduction, in compliance with the Kyoto Protocol commitments.

11. Comments will then be made on the importance of ensuring payment for environmental services, converting it into a genuine source of access to financial resources in countries that present favourable conditions for biological diversity.

10. The formulation of public policies as a condition for access to the sustainability of development will be addressed in a presentation by a country that has recent experience in this field. The presentation will also include emerging challenges and opportunities in this process.

11. The recent summit of developed countries (G-8) established a new financial framework for developing countries that could participate in projects under the Clean Development Mechanism, making it an important opportunity for the countries of Latin America and the Caribbean. This recent directive will be described in detail by a Latin American who participated in the negotiations.

12. Finally, there will be a presentation of the experience of a country in the region regarding a social fund, formed by surplus income from the exploitation of a natural resource and expected to be used in projects aimed at improving the population's quality of life. This mechanism, without being specifically environmental, fulfils the objective of improving the financing conditions for projects aimed at the sustainability of development.

13. Following these presentations, the floor will be given to the representatives of the countries of the region and international agencies for them to make contributions that may serve as input for the recommendations that will be issued by the Forum of Ministers of the Environment of the region in the field of financing for sustainable development and contribute to achieving the ILAC objectives.

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