

FINANCING FOR SUSTAINABLE DEVELOPMENT

VISIONS AND PROPOSALS FOR ACTION FROM A
LATIN AMERICAN AND CARIBBEAN PERSPECTIVE

Johannesburg, 3 September 2002

Compiled by

Alicia Bárcena

Carlos de Miguel



Corporación Andina de Fomento



Distr.
LIMITED

LC/L.1875
April 2003

This publication is the result of a collaborative effort on the part of the following persons and institutions: Freddy Justiniano, Michael Gucovsky, Cielo Morales and Pablo Mandeville, of the United Nations Development Programme (UNDP), Patricia Olamendi and Francisca Méndez of the Government of Mexico, María Teresa Szauer, of the Andean Development Corporation (CAF) and members of the Sustainable Development and Human Settlements Division of the Economic Commission for Latin America and the Caribbean (ECLAC)

Copyright © ECLAC, United Nations, 2003
All rights reserved
Printed in Santiago, Chile

Table of contents

Foreword	7
Relevant aspects of financing for sustainable development: from Monterrey to Johannesburg	11
Forum: “Financing and investment for sustainable development in Latin America and the Caribbean: Regional perspectives on the fulfilment of the Monterrey Consensus and the Plan of Implementation for Johannesburg”	35

Keynote address

• Vicente Fox , President of Mexico	39
--	----

Presentations

• Vicente Fox , President of Mexico	43
• Gustavo Noboa , President of Ecuador	47
• José María Figueres , Managing Director of the Global Agenda of the World Economic Forum and former President of Costa Rica .	51
• Enrique V. Iglesias , President of the Inter-American Development Bank and Chairman of the Board of Executive Directors of the Inter-American Investment Corporation	57
• José Antonio Ocampo , Executive Secretary of the Economic Commission for Latin America and the Caribbean	63

- **Mark Malloch Brown**, Administrator of the United Nations Development Programme 71
- **Enrique García**, Executive President of the Andean Development Corporation 75

Statements

- **Gro Brundtland**, Director-General of the World Health Organization . 83
- **Yolanda Kakabadse**, President of the World Conservation Union ... 87
- **Xóchitl Gálvez Ruiz**, Head of the Representation Office for the Development of Indigenous Peoples, Office of the President of Mexico 89
- **Cecilia López**, Former Minister of the Environment and former Minister of Agriculture of the Republic of Colombia 91
- **Juan Carlos Maqueda**, Vice President of the Argentine Republic, President a.i. of the Senate 93

Closing remarks

- **Vicente Fox**, President of Mexico 97
- **José Antonio Ocampo**, Executive Secretary of the Economic Commission for Latin America and the Caribbean 97

Foreword

Throughout the preparatory process for the World Summit on Sustainable Development and at the Summit itself, which was held in Johannesburg, South Africa, from 26 August to 4 September 2002, discussions were dominated by one central concern: the need to define and reach consensus on concrete, quantitative goals, with fixed deadlines for implementation, which were to supplement the Millennium Development Goals and facilitate progress towards an effective transition to sustainable development. Participants at the Summit explicitly affirmed the need, as a matter of urgency, to identify the financial and technical resources whereby sustainable development would become a reality and benefit directly and particularly rural and urban communities in the developing countries.

The document we are now presenting is the outcome of extensive discussions held at a high-level forum during the Johannesburg Summit. Led by representatives of the Government of Mexico, the Economic Commission for Latin America and the Caribbean (ECLAC), the United Nations Development Programme (UNDP) and the Andean Development Corporation, those discussions were based on the ECLAC/UNDP study entitled “Financing for sustainable development in Latin America and the Caribbean: from Monterrey to Johannesburg”, which considers the opportunities and challenges for improving prospects for investment and financing for sustainable development and underscores the need to establish a new balance between the market economy and public interest through joint public/private initiatives that combine market innovation, social responsibility and appropriate regulations.

Other eminent persons attending the event included heads of State, such as Gustavo Noboa, then President of Ecuador; Enrique V. Iglesias, President of the Inter-American Development Bank (IDB); José María Figueres, Managing Director of the Global Agenda of the World Economic Forum and former President of Costa Rica; and Gro Harlem Brundtland, the legendary figure who pioneered sustainable development. Valuable contributions to the discussions were made by Yolanda Kakabadse, President of the World Conservation Union; Xóchitl Gálvez Ruiz, head of the Unit for the Development of Indigenous Peoples of the Office of the President of Mexico; Cecilia López, former Minister for the Environment of Colombia; and Juan Carlos Maqueda, then Vice President of Argentina.

The views emerging from the forum as set forth in this document are designed to facilitate and promote application of the Plan of Implementation of the World Summit on Sustainable Development within the framework of the Millennium Development Goals and the commitments assumed at the International Conference on Financing for Development, which was held in Monterrey, Mexico. We also aspire to continue moving forward with the adoption of measures and policies to increase investment and financing for sustainable development as well as to foster partnerships between the public and private sectors and non-governmental organizations. We recognize, in this context, the importance of strengthening and improving public and private institutions in order to meet the operational needs associated with the effort to achieve the Millennium Development Goals and pursue the Plan of Implementation formulated in Johannesburg.

We trust that this document will contribute to in-depth discussions on the application of the Plan of Implementation in the relevant forums, in particular the United Nations Commission on Sustainable Development.

The Plan of Implementation of the World Summit on Sustainable Development opens up new opportunities for Latin America and the Caribbean to renew and revive their own regional agenda –with emphasis on global and especially regional public goods– and to interweave it more cohesively with the global agenda in order to promote the common interests of Latin America and the Caribbean more forcefully in international development forums. The regional agenda and the global agenda cannot be separated in a contrived manner; indeed, to an increasing degree, what we are witnessing are global environmental processes which call for action at the local level. The achievement of sustainable development in Latin America and the Caribbean, where the necessary economic, social, environmental and geopolitical conditions are combined, requires a subtle

balance between the market economy, the State and the citizen. Such a balance will result in the consolidation of democratic governance in the service of human development.

VICENTE FOX
President of Mexico

JOSÉ ANTONIO OCAMPO
Executive Secretary, Economic
Commission for Latin America
and the Caribbean (ECLAC)

ELENA MARTÍNEZ
Assistant Administrator and Regional
Director for Latin America and the
Caribbean of the United Nations
Development Programme (UNDP)

ENRIQUE GARCÍA
Executive President, Andean
Development Corporation
(ADC)

Relevant aspects of financing for sustainable development: from Monterrey to Johannesburg¹

Alicia Bárcena and
Carlos de Miguel²

A. BACKGROUND

The Millennium Summit, held in New York in 2000, marked the beginning of a new round of world conferences involving different negotiating mechanisms and resulting in the conclusion of concrete agreements on specific, time-bound quantitative targets. The main purpose of this latest round of international negotiations is to make more effective

¹ At the Johannesburg Summit, the Government of Mexico, the Economic Commission for Latin America and the Caribbean (ECLAC), the United Nations Development Programme (UNDP) and the Andean Development Corporation (ADC) jointly organized a high-level event for the purpose of discussing the proposals put forward in the ECLAC/UNDP document *Financing for Sustainable Development in Latin America and the Caribbean: From Monterrey to Johannesburg* (www.eclac.cl/dmaah) and analysing opportunities for opening up further prospects for investment and financing for sustainable development, as well as challenges in that regard, in the context of the Monterrey and Johannesburg Summits. The present publication is the output of ECLAC/UNDP joint regional project RLA/01/001, entitled "Financing for Environmentally Sustainable Development". It contains the proceedings of the above-mentioned forum and the ideas put forward by the participants.

² Director and Environmental Affairs Officer, respectively, of the Sustainable Development and Human Settlements Division of ECLAC.

progress towards solving the problems of poverty and sustainable development in the light of the new international context being shaped by the phenomenon of globalization.

The commitments undertaken at the Millennium Summit took the form of a set of targets, known as the Millennium Development Goals, aimed at meeting basic needs in terms of health, food security and minimum elements of social well-being. These targets were the point of departure and the basis for further debate at the next two summit meetings, at which this same negotiating mechanism was used to set complementary goals for guaranteeing, on the one hand, the minimum level of financing needed to attain the Millennium Goals³ and, on the other, the economic, social and environmental sustainability of development.⁴

Unquestionably, financing for development, particularly for sustainable development, was one of the issues at the top of the intergovernmental negotiation agenda in the 1990s, especially at the 1992 Earth Summit.⁵ It is equally clear that one reason why the aims of the conferences held in the 1990s have not been achieved is the unwillingness of developed-country Governments to meet the agreed target of allocating 0.7% of their gross national product (GNP) for official development assistance (ODA).

Box 1

THE MILLENNIUM DEVELOPMENT GOALS

By 2015 all 189 United Nations Member States have pledged to:

1. Eradicate extreme poverty and hunger.
 - Reduce by half the proportion of people living on less than a dollar a day.
 - Reduce by half the proportion of people who suffer from hunger.
2. Achieve universal primary education.
 - Ensure that all boys and girls complete a full course of primary schooling.
3. Promote gender equality and empower women.
 - Eliminate gender disparity in primary and secondary education preferably by 2005, and at all levels by 2015.
4. Reduce child mortality.
 - Reduce by two thirds the mortality rate among children under five.
5. Improve maternal health.
 - Reduce by three quarters the maternal mortality ratio.

³ International Conference on Financing for Development (Monterrey, Mexico, 18-22 March 2002).

⁴ World Summit on Sustainable Development (Johannesburg, South Africa, 26 August-3 September 2002).

⁵ United Nations Conference on Environment and Development (Rio de Janeiro, Brazil, June 1992).

6. Combat HIV/AIDS, malaria and other diseases.
 - Halt and begin to reverse the spread of HIV/AIDS.
 - Halt and begin to reverse the incidence of malaria and other major diseases.
7. Ensure environmental sustainability.
 - Integrate the principles of sustainable development into country policies and programmes; reverse loss of environmental resources.
 - Reduce by half the proportion of people without sustainable access to safe drinking water.
 - Achieve significant improvement in lives of at least 100 million slum-dwellers by 2020.
8. Develop a global partnership for development.
 - Develop further and open trading and financial system *that is rule-based, predictable and non-discriminatory. Includes a commitment to good governance, development and poverty reduction –nationally and internationally.*
 - Address the least developed countries' special needs. *This includes tariff- and quota-free access for their exports; enhanced debt relief for heavily indebted poor countries; cancellation of official bilateral debt; and more generous official development assistance for countries committed to poverty reduction.*
 - Address the special needs of landlocked and small island developing States.
 - Deal comprehensively with developing countries' debt problems *through national and international measures to make debt sustainable in the long term.*
 - *In cooperation with the developing countries, develop decent and productive work for youth.*
 - *In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries.*
 - *In cooperation with the private sector, make available the benefits of new technologies –especially information and communication technologies.*

All goals are measured against the baseline year of 1990. For more information on the Millennium Development Goals, see Road Map towards the Implementation of the United Nations Millennium Declaration at: www.un.org/millenniumgoals.

Source: Published by the United Nations Department of Public Information DPI/2263 –February 2002–30M.

The Monterrey Conference represented a milestone in bringing economic issues back into the United Nations forum of debate at the highest possible level. The Conference generated a great deal of momentum for the effort to place development issues at the centre of the global agenda and reinvigorated the concept of an international partnership for development. The comprehensiveness of the financing-for-development agenda (including domestic resource mobilization, foreign direct investment (FDI) and other private flows, trade, ODA, debt relief and systemic issues) provided a basis for analysing means of reducing poverty and addressing the associated constraints. The topics discussed at the Conference fall under two main headings: the foundations for a new development agenda and the role of multilateral organizations and institutions.

This Conference marked the return to the United Nations agenda, in a very specific way, of economic issues, especially economic development issues, which had been one of the Organization's main concerns from its inception up until the breakdown of North-South dialogue. This fact is undoubtedly related to the Organization's legitimacy as the world's most democratic intergovernmental forum, in which developing countries' interests are duly represented and increasing opportunities have been opened up for participation by non-governmental sectors. The Conference highlighted the role of the internationally agreed Millennium Development Goals as a tool for measuring progress towards financing-for-development objectives.

Box 2

COMMITMENTS MADE AT MONTERREY

The most significant commitments made at Monterrey were the increases in ODA levels announced by the United States and the European Union, which will generate an additional US\$ 12 billion per year by 2006.

- The United States will increase its ODA by US\$ 10 billion over the next four years (US\$ 1.3 billion in 2004, US\$ 3.7 billion in 2005 and US\$ 5 billion in 2006) and will then maintain the 2006 level in subsequent years. This amounts to a 50% increase over its current ODA levels.
- The European Union will increase its average ODA/gross national income (GNI) ratio from its current level of 0.33% to 0.39% by 2006. This will translate into an additional US\$ 7 billion in aid annually by that year. This figure will continue to rise in line with inflation and economic growth.

The European Union also announced a package of further commitments:

- to take concrete steps to harmonize donor procedures by 2004;
- to increase aid for trade-related capacity-building;
- to press for a stronger developing-country voice in international economic decision-making;
- to hold discussions on the scope for a further untying of aid;
- to promote a process of identifying global public goods;
- to consider the case for innovative sources of financing; and
- to give priority to ensuring debt sustainability.

The underlying principles of sustainable development are derived, in turn, from the 1992 Earth Summit. The heads of State who took part in the Johannesburg Summit reaffirmed those principles and the programme of action and multilateral agreements concluded since 1992, and agreed to give priority to complementary targets and mechanisms for guaranteeing effective implementation with greater coherence and consistency. Poverty eradication, changing unsustainable patterns of consumption and production and protecting and managing the natural

resource base were identified as core objectives and prerequisites for sustainable development.⁶

The participants recognized that, as a result of globalization, external factors had become critical in determining the success or failure of developing countries in their national and local efforts. They pointed to the continued need for a dynamic international economic environment supportive of more equitable international cooperation, particularly in the areas of finance, technology transfer and trade, if the momentum for global progress towards sustainable development was to be maintained and increased.

The Summit participants united their efforts to devise agreed institutional frameworks for making the implementation of sustainable development commitments more effective. Among the areas requiring further efforts are the following:

1. Promoting a cross-sectoral dialogue for the purpose of integrating public policies and linking the economic, social and environmental dimensions of development specifically with a view to sustainability;
2. Urgently mobilizing public and private financial resources, both domestic and international, while promoting technological innovation and endogenous capacity-building;
3. Increasing effectiveness and efficiency by promoting coherence and coordination between the activities and mandates of international organizations of the United Nations system, based on their technical capacities and comparative advantages;
4. Enhancing the effective involvement of civil society in the implementation of the Johannesburg agreements, as well as promoting transparency in decision-making and in access to information;
5. Strengthening the regional sphere as a vital intermediary between national and local priorities, on the one hand, and global realities, on the other. Regional and subregional forums have the potential to become suitable areas for mobilizing technical and financial cooperation and exchanging experiences between peers.

⁶ The Rio Declaration on Environment and Development, Agenda 21, the United Nations Framework Convention on Climate Change, the Convention on Biological Diversity and the United Nations Convention to Combat Desertification in those Countries Experiencing Serious Drought and/or Desertification, as well as the Montreal Protocol, the Stockholm Convention on Persistent Organic Pollutants and the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade, among others.

Incorporating the environmental dimension into the policies, priorities and activities of economic sectors as a means of further consolidating sustainable development is perhaps the international community's most important challenge for the coming years. This relationship is also essential for ensuring that the environment is duly taken into account in national and international production sectors, particularly in the areas of business and finance, and for channelling investment towards activities related to environmental sustainability, with a view to enhancing long-term competitiveness.

In summary, the participants in the World Summit on Sustainable Development adopted a Plan of Implementation whose objectives include revitalizing multilateral cooperation and opening up new opportunities for developing countries to make effective use of the financial resources available, and also to form alliances with the private sector, bilateral sources and non-governmental organizations. The objectives of Agenda 21, adopted at the 1992 Earth Summit, the Millennium Development Goals and the Johannesburg Plan of Implementation will be the frame of reference for the future evaluation of the progress made in the transition to sustainable development.

Box 3

MAIN OUTCOMES OF THE JOHANNESBURG SUMMIT

The Summit reaffirmed sustainable development as a central element of the international agenda and gave new impetus to global action to fight poverty and protect the environment, emphasizing the important linkages between poverty, the environment and the use of natural resources.

Governments agreed to and reaffirmed a wide range of concrete commitments and targets for action to achieve more effective implementation of sustainable development objectives. Priority areas for action –commonly referred to as the WEHAB initiatives– were identified: water and sanitation, energy, health, agriculture, and biodiversity protection and ecosystem management.

Together with the WEHAB initiatives, poverty eradication, finance, trade and globalization were critical elements of the Summit. The Millennium Development Goals concerning poverty were reaffirmed, and a world solidarity fund to eradicate poverty and to promote social and human development in the developing countries was established. On finance, trade and globalization, decisions taken at the World Trade Organization Ministerial Meeting in Doha, Qatar, put development concerns at the centre of trade negotiations, and the International Conference on Financing for Development in Monterrey, Mexico, put development at the centre of discussions on finance. Building on this, the Johannesburg Summit worked to ensure that global economic and financial rules, systems and markets support sustainable development. At the Summit, Governments agreed that opening up access to markets is key to development and committed themselves to: support the phase-out of all forms of exports subsidies, as well as subsidies for fossil fuels and for agricultural products; give special attention and support to Africa and to the New Partnership for Africa's

Development (NEPAD) in order to better focus efforts to address the continent's development needs; establish a 10-year framework of programmes on sustainable consumption and production; actively promote corporate responsibility and accountability; and develop and strengthen a range of activities to improve natural disaster preparedness and response.

The views of civil society were given prominence at the Summit in recognition of the key role of civil society in implementing its outcomes and in promoting partnership initiatives. The concept of partnerships between governments, business and civil society was emphasized at the Summit and in the Plan of Implementation, as was the importance of adopting new measures to strengthen institutional arrangements for sustainable development at international, regional and national levels. The role of the Commission on Sustainable Development and United Nations regional commissions in reviewing and monitoring progress in the implementation of Agenda 21 and in facilitating and promoting the integration of the environmental, social and economic dimensions of sustainable development was also enhanced.

Source: Based on Department of Economic and Social Affairs (DESA) "Key Outcomes of the Summit", New York, United Nations, September 2002; Department of Public Information (DPI), "The Road from Johannesburg. World Summit on Sustainable Development: What was Achieved and the Way Forward" (www.un.org/events/wssd; www.johannesburgsummit.org), January 2003.

Box 4

JOHANNESBURG PRIORITY AREAS FOR ACTION: WEHAB

An action agenda to reach new goals and targets

In the lead-up to the Summit, several issues were identified by United Nation Secretary-General Kofi Annan as priority areas for action: water and sanitation, energy, health, agriculture, and biodiversity protection and ecosystem management. The summit concluded with countries committing themselves to a wide range of action in these areas (commonly referred to as the WEHAB initiatives) and setting firm targets and timetables to achieve results. Some of the highlights are set out below.

Water and sanitation

Over one billion people lack access to safe drinking water and two billion lack access to proper sanitation. Recognizing that clean drinking water and adequate sanitation are necessary to protect human health and the environment, Governments reaffirmed the Millennium Development Goal of halving the proportion of people without access to safe drinking water by 2015 and matched this with a new target to halve the proportion of people without access to basic sanitation by 2015.

Energy

Some two billion people lack access to electricity and rely on traditional fuel sources, such as firewood, kerosene or biomass, for their cooking and heating. At the Summit, countries committed themselves to increasing access to modern energy services, energy efficiency and the use of renewable energy and to phasing out, where appropriate, energy subsidies. There was also agreement to support the target set out in the New Partnership for Africa's Development (NEPAD) to ensure energy access for at least 35% of Africans within 20 years.

Health

Recognizing an urgent need to address the causes of ill health, Governments:

- Reaffirmed the Millennium Development Goals to reduce, by 2015, mortality rates for infants and children under 5 by two thirds, and maternal mortality rates by three quarters.
- Recommitted themselves to agreed targets to reduce HIV prevalence among young men and women aged 15-24 by 25% in the most affected countries by 2005 and globally by 2010, as well as to combat malaria, tuberculosis and other diseases.
- Set new goals: to ensure that, by 2020, chemicals are not used or produced in ways that harm human health and the environment; to enhance cooperation to reduce air pollution; and to improve developing countries' access to environmentally sound alternatives to ozone-depleting chemicals by 2010.

Agriculture

Since most of the world's poorest people eke out a living through subsistence agriculture on marginal lands, improving agricultural productivity was a major Summit focus. As a result, countries agreed that the Global Environment Facility should help finance and support the implementation of the Convention to Combat Desertification. In addition, it was agreed that food security strategies should be developed for Africa by 2005.

Biodiversity and ecosystem management

To confront the continuing decline of the world's biodiversity and deterioration of ecosystems, Governments committed to take action that will:

- Significantly reduce the rate of biodiversity loss by 2010;
- Reverse the current trend in natural resource degradation;
- Restore fisheries to their maximum sustainable yields by 2015 and prevent, deter and eliminate illegal, unreported and unregulated fishing by 2004;
- Crack down on illegal logging that contributes to deforestation;
- Establish a representative network of marine protected areas by 2012;
- Improve developing countries' access to environmentally sound alternatives to ozone depleting chemicals by 2010; and
- Undertake initiatives by 2004 to implement the Global Programme of Action for the Protection of the Marine Environment from Land-based Sources of Pollution.

Source: Published by United Nations Department of Public Information (DPI), "The Road from Johannesburg. World Summit on Sustainable Development: What was Achieved and the Way Forward" (www.un.org/events/wssd), January 2003.

B. TRENDS IN FINANCING FOR ENVIRONMENTALLY SUSTAINABLE DEVELOPMENT IN THE 1990s⁷

In the 1990s, the Latin American and Caribbean countries focused their efforts on establishing sound macroeconomic policies as a basis for

⁷ This analysis is based on ECLAC/UNDP documents covering the period 1992-2002, which consider trends in international and local financing in support of sustainable development activities and particularly for environmental priorities in Latin America and the Caribbean. See *Financing for Sustainable Development in Latin America and the Caribbean: From Monterrey to Johannesburg*, ECLAC/UNDP, LC/R.2098, August 2002.

sustained growth. It has now become clear, however, that macroeconomic stability alone is not enough. In reality, it is closely interconnected with other dimensions of development that go beyond growth, such as the distribution of opportunities, environmental sustainability, the management of global risks and governance. In this context, both bilateral and multilateral public development funds are and will continue to be a major source of financing for activities to combat poverty and environmental degradation.

In view of these circumstances, six trends in international and local financing for sustainable development have emerged, with particular reference to Latin America and the Caribbean: the problem of external debt, flows of official development assistance, private international financial flows, multilateral financial agencies' contributions to the environment, concessional multilateral funds and domestic financing. These trends are discussed below, together with some recommendations that have come out of various forums for dialogue held during the preparatory process for the Johannesburg Summit.

1. External debt

Unsustainable levels of external debt continue to be a major obstacle to development in many countries. In this regard, the Latin American and Caribbean region's position is no better than that of other developing regions, as these countries' debt balance expanded steadily throughout the 1990s. Since the process of environmental institution-building in the public sector coincided with the debt crisis that began in the 1980s, the countries' heavy debt burdens undermined political support for the allocation of additional public resources to address emerging priorities. As a result, public expenditure for the achievement of social and environmental objectives has been extremely limited in developing countries since then. The situation is particularly critical for countries with high external debt/export capacity ratios, since many of them lack efficient private enterprises and have a limited ability to attract new financing, which, in turn, has a negative impact on their domestic investment and future capacity to pay.

As proposed by ECLAC at the Monterrey Conference, the global, regional and subregional multilateral financial institutions that make up institutional financing networks should make a concerted effort to expedite the provision of external financing to countries which lack access to private capital markets and to widen the framework within which such financing is provided. This would entail a policy shift that would serve to promote

the attainment of development goals and provide broader scope for action by developing countries.⁸

It is essential to strike a balance between macroeconomic reform programmes (and particularly the associated structural adjustment strategies) and the countries' environmental and social agendas. Within this context, an effort should be made to explicitly address the debt burden – a major hurdle to the financing of sustainable development – with a view to creating conditions in which political priority can be given to the provision of adequate and stable public resources for environmental protection.

It is also necessary to continue to implement and broaden the Heavily Indebted Poor Countries (HIPC) Debt Initiative, which represents a major step towards enabling the least developed countries to improve financial governance and develop national sustainable development strategies.

The debt-for-nature mechanism needs to be expanded and reformulated in order to reflect the dual identity of many environmental issues as both a development problem and a global responsibility, with a view to turning this mechanism into a means of swapping debt for sustainable development. In addition to relieving part of the debt burden of developing countries, it can serve as a powerful instrument for the conservation, restoration and expansion of natural capital through the promotion of initiatives such as biodiversity protection, reforestation and ecotourism.

2. Official development assistance and the environment

Flows of official development assistance have dwindled considerably, and currently represent less than a third of the levels agreed upon in Rio de Janeiro. At the 1992 Earth Summit, the developed countries acknowledged that ODA was the largest source of external financing for the achievement of internationally agreed sustainable development goals, particularly for low-income countries.

Nonetheless, bilateral and multilateral development assistance decreased from 0.33% of the donor countries' GNI in 1992 to 0.22% in 2001.⁹ Between 1998 and 2001, no Latin American or Caribbean country figured

⁸ This proposal was made by Mr. José Antonio Ocampo, Executive Secretary of ECLAC, at the International Conference on Financing for Development.

⁹ See the OECD web site (www.oecd.org/dac). Only five countries (Denmark, Luxembourg, Netherlands, Norway and Sweden) allocated at least 0.7% of their GNI in 2000.

among the 10 principal recipients. In those years, the ODA received by the region dropped from a little over US\$ 5.2 billion in 1998-1999 to around US\$ 5.0 billion in 1999-2000. This is equivalent to 12% of total gross bilateral assistance, which amounted to over US\$ 43 billion. In addition to these quantitative changes, there has been a change in the allocation of ODA among sectors. In the 1990s, aid shifted away from commercial sectors such as manufacturing and telecommunications, where it had been concentrated, and began to be channelled mainly into health, education, other social services and the environment. This change in ODA allocations reflects a stronger orientation on the part of donors towards poverty eradication, as well as the wave of liberalization programmes and privatizations that characterized the 1990s.

As demonstrated recently at the Monterrey Conference, in the absence of norms, rules and procedures, ODA levels as well as allocation criteria and priorities continue to be the object of ongoing negotiation. Although there have been considerable changes in the approaches taken to aid over the past decade, some issues remain unresolved, such as: resource allocation criteria (ranging from promised performance to demonstrated actions, which calls for increased transparency and an improved system to ensure accountability); the role of recipients vis-à-vis donors; and the significance of ODA in leveraging additional financing for development through FDI, trade and domestic resources. An examination of trends in ODA since 1992 points to three major challenges: to enhance its effectiveness; to achieve complementarity between ODA funding and private investment for technological innovation, especially for the transfer of clean technologies; and to allocate additional funds (complementary to ODA) to address concerns relating to global public goods.¹⁰

Ever since the Earth Summit, and even more clearly since the Monterrey Conference, a major trend has emerged whereby the provision of assistance is shifting away from country-based aid and towards a problem-focused international public goods approach. The public goods debate remains open, however. The main issues on which agreement will have to be reached have to do with the need to devise a universal, fully participatory intergovernmental process to define exactly what are to be regarded as global public goods and, most importantly, to design mechanisms to ensure that financing for those goods is additional to other

¹⁰ See United Nations (2001), Report of the Secretary-General to the Preparatory Committee for the High-level International Intergovernmental Event on Financing for Development (A/AC.257/12), 18 December 2000 (www.un.org).

forms of assistance and aid. In this regard, the Secretary-General of the United Nations has proposed that a separate identification should be maintained within reporting systems to distinguish these additional funds from resources for ongoing development assistance programmes in order to differentiate between contributions to economic growth and financing for global public goods.

Although the ODA pledges made in Monterrey did fall short of the 0.7%-of-GNP target, the International Conference on Financing for Development marked a definite turning point in the effort to reverse the downward trend in ODA. In addition, progress was made in exploring regional approaches to assistance in which multilateral, regional and subregional institutions would play a greater role in close coordination with United Nations organizations.

It has recently been recommended that the allocation of ODA resources for sustainable development programmes should remain a priority, particularly in the case of general environmental protection activities. Unfortunately, this type of aid continues to account for a very small proportion of the total (3%-5%). A better distribution of official development assistance is needed in sectors that are of strategic importance for meeting the Millennium Development Goals and in those that were identified at the Johannesburg Summit, such as water supply, energy, mining, infrastructure works, transport and, of course, poverty alleviation.

3. Private international financial flows

Private capital flows, which, unlike ODA, had grown vigorously up until 2000, have steadily fallen since then and have taken on two disturbing features: volatility and high concentration in developed countries or emerging economies, to the detriment of poorer countries. Moreover, international trade has become a vital engine of economic growth and sustainable development. Consequently, export strategies have become the linchpin of development strategies, and this has increased the importance of international trade agreements, especially those concluded within the World Trade Organization (WTO). It follows that the transfer of cleaner, more efficient technologies and market access for developing-country exports have become high priorities.¹¹

¹¹ In addition, further scientific evidence has emerged over the past two decades regarding the existence of a series of unprecedented global phenomena stemming from the increasing scale of human

This global phenomenon is also very marked in Latin America and the Caribbean. Net FDI inflows increased from an annual average of US\$ 18.2 billion in 1990-1994 to US\$ 69.5 billion in 1995-1999, reaching a peak of US\$ 105.2 billion in 1999. A declining trend ensued and continued into 2002, when inflows amounted to barely US\$ 56.7 billion. Moreover, while a total net inflow of resources was recorded for most of the 1990s, from 1999 onward this trend was reversed. This was because the positive but decreasing net resource transfers (NRT) to Latin America and the Caribbean in the form of FDI were more than offset by the growing negative NRT out of the region in the form of financial flows. Evidently, volatile financial flows are a hindrance to sustainable development in developing countries. Given the growing importance and future potential of external private capital as a source of investment financing, and under pressure from international financial institutions, Governments have been forced to shore up macroeconomic stability, liberalize trade and financial markets and adopt foreign investment-friendly policies. In some countries, however, financial and trade liberalization has eroded the competitiveness of domestic producers and exacerbated financial volatility, without substantially increasing investment inflows, exports or economic growth.¹²

To generate a positive synergy between FDI and sustainable development, recipient countries should strengthen their environmental management systems in order to formulate clear and predictable rules. The environmental dimension must be central to the quality criteria that countries use to define the type of investment they seek to attract. This means that long-term environmental policies must be integrated into and be consistent with the economic policy criteria (targets for job creation, economic growth and raising of external resources) that encourage foreign

activity, including global warming, the thinning of the stratospheric ozone layer (the "hole" in the ozone layer), loss of biological diversity, cross-border movements of hazardous waste, desertification and drought. The acceleration of economic globalization and the deterioration of the global environment have increased the interdependence between the economy and ecology. The international community has responded to this unique moment in history by adopting multilateral environmental agreements. What remains to be done, however, is to ensure that multilateral environmental and trade agreements complement each other and work jointly to support sustainable development.

¹² See ECLAC (2003), *Foreign investment in Latin America and the Caribbean, 2002* (LC/G.2198-P), Santiago, Chile, March 2003, and ECLAC (2002), *Foreign investment in Latin America and the Caribbean, 2001* (LC/G.2178-P), Santiago, Chile, May 2002.

investment. To this end, stable and consistent environmental regulatory systems must be developed and implemented so that the costs and benefits will be predictable for investors. Likewise, the costs must be the same for all investors. It is also necessary, however, to establish clear and comparable criteria for assessing the impact of FDI and other private investment on sustainable development and the environment. In this regard, it is important to shift FDI towards clean production technologies and to avoid, as far as possible, the concentration of such investment in natural resource-intensive sectors, as has tended to happen in much of the developing world.

Developing countries tend to view with misgiving and anxiety the emergence of markets that differentiate products on the basis of environmental performance and that have stricter requirements as to the quality and management of processes and products. This anxiety is based on the fear that environmental protection will be invoked to justify the application of protectionist measures by more sophisticated markets. While such tactics must be prevented, it is also necessary for developing countries to adopt a proactive –instead of reactive– approach to this issue so that the developing world can make firm commitments to contribute to global environmental sustainability.

4. International financial agencies' contributions to the environment

The Monterrey Consensus further enhances the essential role of multilateral development banks. It encourages them to furnish support to developing countries whose access to international capital markets is limited, as well as recommending that they take action to reduce the effects of excessive instability in financial markets. These institutions also provide specialized information and knowledge regarding development.

In addition to the Bretton Woods institutions, the Latin American and Caribbean region has the most comprehensive network of regional multilateral banks in the developing world. This network is composed of the Inter-American Development Bank (IDB) and a number of subregional institutions, such as the Andean Development Corporation (ADC), the Central American Bank for Economic Integration (CABEI) and the Caribbean Development Bank (CDB). In addition, it boasts one of the few regional mechanisms for providing balance-of-payments support to developing countries: the Latin American Reserve Fund. All these

institutions work to promote environmentally sustainable growth in conjunction with poverty alleviation.

International financial institutions have made significant headway in terms of considering the environmental impact of their lending activities and project development. Virtually all these institutions – regional and subregional, as well as international– have gradually laid down guidelines for the conduct of environmental risk assessments prior to project approval. These efforts must be complemented, however, by institution-building initiatives on the part of beneficiary countries if the projects’ design and follow-up are to be effective. To this end, it is recommended that international financial agencies step up the technical cooperation they provide to recipient countries in order to build national capacity, with the ultimate aim of incorporating environmental criteria and management methods into the economic activities financed by their loans.

Similar guidelines should be included in private-sector projects that are backed by international financial agencies, particularly in the cases of the International Finance Corporation and Multilateral Investment Guarantee Agency of the World Bank Group and the IDB Inter-American Investment Corporation. This is particularly important because it involves not only large firms but also small and medium-sized enterprises, which face the greatest financial and technical hurdles to the incorporation of the environmental dimension into their operations.

Regional and subregional banks should seek to play a more active role in the mechanisms of international multilateral funds and in the new financial mechanisms set up to address global problems, such as the Global Environment Facility and the Clean Development Mechanism, which provide concessional financing. Certain global environmental problems, such as climate change and loss of biodiversity, call for innovative projects developed at the regional or subregional level. Such an approach will require regional and subregional financial institutions to design cooperation strategies that go beyond the national level and encourage the provision of loans or cooperation to several countries simultaneously on the basis of joint projects with common objectives.

Box 5

**THE CATALYTIC ROLE OF UNDP IN FINANCING
SUSTAINABLE DEVELOPMENT**

The United Nations Development Programme (UNDP) is another source of financing for technical cooperation and pre-investment activities, including capacity- and institution-building. The UNDP portfolio of environmental and sustainable development projects in the Latin American and Caribbean region for the period from the 1992 Earth Summit to the present totals approximately US\$ 1.4 billion in grant financing. More than US\$ 200 million has been allocated to the energy sector for the development of new and renewable energy, the promotion of rural energy services to support growth, equity and poverty eradication, and the achievement of increased energy efficiency.

Projects dealing with vulnerability, risk management and adaptation to climate change, with special attention to island States, are included in the UNDP portfolio.

Many of the projects involve partnerships with local communities, sectoral ministries, non-governmental organizations, the private sector and multilateral and bilateral donors and financial institutions.

5. Concessional international multilateral funds to address global problems

In the Johannesburg Plan of Implementation, countries agreed to explore innovative ways to generate public and private financial resources for sustainable development and for addressing global environmental problems. The last 10 years have seen the consolidation of concessional funds such as the Multilateral Fund for the Implementation of the Montreal Protocol¹³ and the Global Environment Facility.¹⁴ Nonetheless, the resources provided are far from commensurate with the magnitude of the global problems to be addressed. In addition, very little progress has been made in designing mechanisms for establishing global environmental markets.

The Special Climate Fund, the Clean Development Mechanism provided for in the Kyoto Protocol¹⁵ and other flexibility mechanisms under the United Nations Framework Convention on Climate Change may offer

¹³ The Montreal Protocol, signed in 1987, set an international precedent for new financing mechanisms by establishing the Multilateral Fund for the Implementation of the Montreal Protocol.

¹⁴ This fund, created in 1991, is probably the most innovative financial mechanism and the one that has channelled the most resources to developing countries for projects with global environmental components.

¹⁵ The Clean Development Mechanism of the Kyoto Protocol to the United Nations Framework Convention on Climate Change was designed to become a major source of technology transfer and financing between developed and developing countries. However, owing to the difficulties encountered in achieving the Protocol's ratification, the Mechanism is still at an incipient stage.

developing countries considerable opportunities to diversify their comparative advantages towards the provision of global environmental services in keeping with the international environmental agenda. The creation of international markets to determine the economic value of global environmental services raises the possibility of new financial flows to countries that have major comparative advantages in terms of forests and biodiversity, as well as the potential to increase their energy efficiency and absorb technology to contribute to global greenhouse gas emission reduction efforts. The activities carried out thus far are of an experimental nature and, though promising, do not yet represent a sound, stable financing mechanism. One of the region's most important assets is its biodiversity. Accordingly, there is an urgent need to devise an integrated financing strategy that will incorporate the mechanisms of the relevant conventions and protocols with a view to the valuation, conservation and proper administration of the region's biological diversity in the interest of long-term sustainability.

6. Domestic financing

Policies on domestic financing for sustainable development have evolved very slowly, as the relevant State institutions are still weak, especially in developing countries. It must be borne in mind that the establishment of environmental ministries in Latin America and the Caribbean coincided with a period of economic adjustment and cutbacks in public spending in the region. In addition, public environmental budgets have been very volatile over the past decade and, in many recent cases, have tended to decline because of the situation of public finances and because the process of environmental institution-building has been tenuous and desultory. Generally speaking, budget shortfalls and the need to generate resources to meet external obligations have resulted in budget cuts, particularly to the detriment of environmental initiatives.

Accordingly, trends in domestic financing for sustainable development since 1992¹⁶ show that, with differences from one country to the next, total private and public environmental spending over the past decade has

¹⁶ To obtain a more in-depth analysis of the situation in some countries of the region, as well as an overview of national trends in domestic financing for sustainable development, the Economic Commission for Latin America and the Caribbean (ECLAC) and the United Nations Development Programme (UNDP) prepared an initial evaluation based on seven case studies: Argentina, Brazil, Chile, Colombia, Costa Rica, Mexico and Trinidad and Tobago.

generally not exceeded 1% of GDP, and domestic public-sector expenditure has rarely risen above 3% of total public spending. Current or administrative expenditure tends to take precedence over investment. This may be partly attributable to the fact that environmental policy has conformed to the command-and-control model, which entails high administrative costs. There are also disturbing signs that financial costs are on the rise within environmental budgets, which is likely to affect the quality of spending in the future. Efforts are therefore needed to strengthen public environmental spending in terms of both magnitude and composition.

The composition of spending depends on the particular environmental problems faced by each country. Nevertheless, overall, water resources account for the largest share, a fact which reflects the priority assigned to water management and administration.¹⁷ Water treatment and the management of solid and liquid urban waste, together with the protection of natural areas, are major items in the public environmental budget.

The environmental budget is not managed and controlled exclusively by the institutions that deal specifically with environmental affairs in the countries studied. Frequently, sectoral ministries and autonomous State agencies and organs are also heavily involved in channelling environmental spending. Following the implementation of administrative decentralization processes, many environmental expenditures have been shifted to provinces or states, and their environmental budgets may account for a slightly higher proportion than the national government figures. The environmental budget is especially important at the municipal level, however, as these authorities are usually responsible for local environmental management in areas such as household waste collection and sewage treatment.

One of the most important prerequisites for future success is to achieve better coordination among the different ministries, particularly those responsible for finance and the environment, and closer cooperation between the public and private sectors in undertaking long-term investments that are conducive to sustainability. In view of the different levels –national, regional and local– at which the environmental budget is implemented, there is clearly a need for greater horizontal and vertical coordination among public institutions with environmental responsibilities. To this end, it is necessary to guarantee continuity in these areas of work

¹⁷ Owing to the difficulty of identifying which explicitly environmental activities (such as basin management or sewage treatment) are included in overall spending on water resources, the share allocated for this item may be overestimated, since it also covers infrastructure and water supply works whose objectives are not necessarily environmental.

by developing technical capacity, strengthening environmental policies and institutions, consolidating structures and modernizing regulatory frameworks. These steps would make for more predictable and consistent public spending directed towards achieving national sustainable development targets. Before these measures are implemented, information on private-sector environmental investment and on environmental spending, investment and financing at all levels of government in the region should be systematized with a view to generating integrated environmental policy strategies.

In addition, the environmental sector must be provided with financial mechanisms and guaranteed minimum resource levels, and domestic mechanisms must be put in place to make environmental management at least partially self-financing. General or specific taxes on electric power, fuel, motor vehicle registration or land, for example, offer interesting opportunities for generating more financing for environmental management. Other possibilities would be to reallocate receipts from existing levies on environmentally-related services so that they could be used for environmental purposes, to replace taxes on “goods” with taxes on “bads” (i.e., undesirable environmental externalities) or to add an increment for environmental purposes to existing taxes. The elimination of environmentally harmful subsidies would also contribute towards environmental sustainability and would be conducive to fiscal balance. The clearest rationale for this lies in capturing economic value from those resources that provide benefits (national and global environmental services) that are not currently expressed in economic terms owing to the absence of markets, or from more appropriate taxation associated with environmental externalities (internalization of social environmental costs in private decisions). Examples of potential mechanisms for moving in that direction are many: they include charges for the use of natural resources (royalties, charges for forest harvesting, water use charges), emission taxes, charges or fines for pollution, including gasoline taxes, cap and trade permit systems to ration open-access resources such as fisheries or the pollution absorption capacity of water or air sheds, the creation of new markets for payment for environmental services at the national and international levels, a requirement that public service enterprises should invest part of their income in environmental activities linked to the provision of such services, etc. There is also a more general rationale for establishing environmental investment mechanisms linked to property taxes, given the clear complementarity that exists between economic and natural wealth and the direct impact of environmental amenities on property values.

These considerations show that there are relevant fiscal components, such as exemption from land taxes in protected natural areas, tax breaks for investment in clean technologies or the inclusion of environmental clauses in bidding documents in the case of sewage treatment, which have the effect of reducing government revenues and which, though they are not necessarily counted as public environmental expenditure, are a fundamental part of the incentive system and of environmental policy.

Before taking any steps of this kind, however, countries must identify what changes are required in their legal and institutional frameworks in order to fully support the application of fiscal and economic instruments for environmental and natural-resource management. In the course of this process, they must also bear in mind that the issue of North-South distribution is reflected in the income gap in the countries of the region.

The design, application and operation of environmental taxes should be directed at achieving two objectives: (i) to signal the real cost of environmental resources to economic agents in order to encourage more rational conduct in production processes and consumption; and (ii) to raise the funds needed to progress towards the self-financing of environmental management. In this regard, the prospects for achieving self-financing status are good in the case of some environmental tasks, such as the management and administration of national parks.

With a view to these objectives, a consolidated fiscal reform agenda should be established in order to develop the potential usefulness of economic tools for environmental-management purposes, and operational and coordination links should be set up between central authorities and local governments, taking advantage of current opportunities for fiscal decentralization, to facilitate the implementation of such an agenda and to provide a solid foundation for continuing to monitor and enforce compliance with environmental regulations. In this regard, it should be noted that instruments of indirect regulation (market-based or economic instruments) ought to be viewed as complementary to –rather than as a substitute for– direct environmental management instruments (command-and-control regulation). It is therefore essential to strengthen the public institutional structure and the operational capacity of all levels of government to successfully perform environmental management tasks using an innovative mix of policy instruments, with a view to establishing a coherent structure of incentives to improve the environmental performance of economic agents.

The impact of international financing, in the form of donations and loans, on the public environmental agenda varies greatly from one country

to another, although these funds have generally trended downward and account for a limited share of financing in relation to domestically generated resources, especially in the larger countries of the region. By contrast, external assistance is fundamental in countries that are smaller and poorer.

Furthermore, efforts to achieve environmental sustainability will require more active engagement on the part of the domestic and international business and financial sectors, including insurance companies and development banks. Environmental issues have had a notable impact on the private business sector, which is showing increasing signs of concern about the environmental effects of production and consumption cycles. The trends that have taken shape at the international level point to an improvement in the environmental performance of the private sector and the creation of new markets and business opportunities related to the environment. In Latin America and the Caribbean, the presence of foreign-owned firms and the large share of exports out of total sales seem to have greatly increased the probability that firms will undertake environmental investments. In addition, larger (in terms of the number of employees) and longer-established firms appear to be more likely to engage in environmental investment. Strict environmental controls and local social pressure also seem to increase the likelihood of this type of investment.

The bulk of private investment goes to improving energy efficiency and promoting the use of materials that reduce production costs (technological improvements). Control of atmospheric pollution and the management of solid and liquid waste also account for a major portion of investment. The benefits that firms expect to obtain –certification of quality or of environmental best practices (such as ISO 14000), enhanced brand image and increased competitiveness– are ultimately defined by the objective of improving their international position and gaining access to new markets.

In the light of these considerations, there is an evident need to establish a stable institutional platform that sets out clearly defined rules on environmental management in order to ensure institutional continuity and to facilitate the design of medium-term policies and better coordination with the private sector.

7. Some final thoughts on the Johannesburg Summit

The debate on financing for development, which culminated in the World Summit on Sustainable Development, still attests to an absence of

creative thinking in the approaches being taken to meeting the need for more resources to finance the environmental dimension of sustainable development. There is a consensus as to the urgency of mobilizing new and additional resources to finance the transition to sustainable development, but developed and developing countries continue to disagree as to which sources should provide these funds. Developing countries argue that the resources should come from ODA, together with a more balanced distribution of FDI and fair and equitable free trade. Developed countries contend that the bulk of such resources should come from domestic sources or should be mobilized through policy reforms that will enable developing countries to attract more foreign investment and promote trade. The Johannesburg Summit has generated high hopes that more financial resources and technology will become available for the implementation of Agenda 21 and that the private sector will be increasingly involved in that process. This will entail a major effort to seek out new modalities for increasing investment and financing and for creating markets that will contribute to a fuller implementation of international and national sustainable development priorities. In addition, to facilitate the resource allocation proposed at the Monterrey Conference and reaffirmed in the Johannesburg Plan of Implementation, an operational mechanism must be put in place to follow up and periodically analyse compliance with the agreed targets and time-frames.

In the light of the Johannesburg Summit, two challenges need to be met with regard to ODA: to achieve complementarity between ODA funding and private investment for technological innovation, especially for the transfer of clean technologies, and to allocate additional funds (complementary to ODA) to address concerns relating to global public goods. In addition, further progress is needed on the design and implementation of alternative mechanisms for technology and financial transfers, and ways have to be found to derive greater benefit from the opportunities offered by the various debt relief systems in order to support sustainable development and environmental protection initiatives. Such initiatives would also benefit from greater synergy among ODA, private financial flows and public-sector environmental investment. In this connection, Latin America and the Caribbean should seek broader involvement in projects financed by the concessional international multilateral funds that were set up to address global environmental problems, especially the Global Environment Facility (GEF) and the Montreal Protocol Multilateral Fund.

Clearly, the environmental and social impact of a scheme for integrating the region into the world economy will depend largely on the

pattern of specialization that is developed. If the countries of Latin America and the Caribbean work to enhance –in both quantitative and qualitative terms– their participation in international trade and their share of FDI, there will be greater investment in services, technology and environmental management systems for dealing with the environmental externalities associated with the new pattern of specialization and for seizing the opportunities offered by “green” markets.

Lastly, if economic and social growth is to be achieved within the framework of a long-term vision that fully incorporates the environmental dimension, then consistent flows of public and private financing and investment for the environment from both international and domestic sources will be essential in order to deal with accumulated environmental liabilities and current environmental challenges, on the one hand, and to generate options for the future that will guarantee the sustainability of development, on the other.

These reflections make for a rich agenda based on the mobilization of resources for dynamic sectors that use clean production methods, in which competitiveness is based on the accumulation of capital in the broad sense –human, natural and physical– and does not result in the degradation of natural capital. Such an agenda is therefore associated with technological innovation, training and production and financial management systems that incorporate the dimension of sustainability.¹⁸

¹⁸ See chapter 13 of ECLAC (2000), *Equity, development and citizenship* (LC/G.2071(SES.28/3)), Santiago, Chile.

FORUM:

**“FINANCING AND INVESTMENT
FOR SUSTAINABLE DEVELOPMENT
IN LATIN AMERICA AND THE CARIBBEAN:
REGIONAL PERSPECTIVES
ON THE FULFILMENT OF THE
MONTERREY CONSENSUS AND THE
PLAN OF IMPLEMENTATION FOR JOHANNESBURG”**

Keynote address

- Vicente Fox

VICENTE FOX

President of Mexico

In this panel discussion we shall examine the issue of financing and investment for sustainable development in Latin America and the Caribbean on the basis of experiences relating to the Monterrey Consensus¹ and the Plan of Implementation that is being worked on here in Johannesburg.² We feel it is essential to devote very specific attention to the issues that affect Latin America, and so welcome, ladies and gentlemen, to this event.

I would like to begin by expressing our appreciation to the institutions that, together with the Government of Mexico, have contributed to organizing this event. First of all, there is the Economic Commission for Latin America and the Caribbean, which is very well-known in our countries and has produced ideas that have been very important for our region in promoting sustainable development; there is also the United Nations Development Programme and the Andean Development Corporation, to which we express our gratitude for their hard work; our appreciation also goes to the work teams of each of these institutions, which invested a great deal of time and effort in organizing this meeting. Here with us as well is the President of Ecuador, Mr. Gustavo Noboa,³ who will share with us his comments on the topic under discussion.

¹ See the Monterrey Consensus at www.un.org/esa/ffd/.

² See the Report of the World Summit on Sustainable Development A/CONF.199/20 at www.johannesburgsummit.org/.

³ President Noboa completed his term of office on 15 January 2003. See: www.presidencia.gov.ec.

The main purpose of this dialogue is to link the successful outcomes of the Monterrey Summit with the objectives that we are proposing for the development and implementation of what will become the resolution of this Johannesburg Summit.

If you will allow me, I shall now briefly recall the agenda of the meeting, which will proceed as follows: first, I shall deliver a statement expressing Mexico's viewpoints on the topic of financing for development and on the issues being discussed at this Summit. I shall then give the floor to President Noboa for his comments. Next, we shall hear the views of our special guests on this panel. With us today is Mr. José María Figueres, the former President of Costa Rica, a country that has advanced much further than many others in terms of sustainability, and Managing Director of the Center for the Global Agenda of the World Economic Forum. Mr. Enrique V. Iglesias, the highly regarded President of the Inter-American Development Bank, will also be with us. After these statements, the following speakers will take the floor in succession: Mr. José Antonio Ocampo, Executive Secretary of the Economic Commission for Latin America and the Caribbean, Mr. Mark Malloch Brown, Administrator of the United Nations Development Programme, and Mr. Enrique García, Executive President of the Andean Development Corporation. The floor will then be opened to other speakers in order to enrich our dialogue and thus achieve the purpose of our interactive meeting.

I shall now deliver the message from Mexico, which I hope will set the stage for our reflections on the tasks that lie before this panel. Once again, welcome to all and a special welcome to our distinguished panelists.

Presentations

- Vicente Fox
- Gustavo Noboa
- José María Figueres
- Enrique V. Iglesias
- José Antonio Ocampo
- Mark Malloch Brown
- Enrique García

VICENTE FOX

President of Mexico

As in the case of the other nations of Latin America and the Caribbean, we Mexicans aspire to comprehensive development, one that goes beyond mere economic growth. Today we seek economic growth with quality and with a human face, we seek sustainable development that respects our environment. In order to achieve this, the men and women of Mexico have chosen the path of democracy, as reflected in the process of change upon which we have embarked in our country. As a result, today we enjoy a level of economic, political and social stability that makes economic growth possible while boosting investment in infrastructure and environmental stewardship and conservation. We have also launched extensive social programmes aimed at enabling each and every Mexican to develop his or her talents and abilities. It is clear, however, that our stability and the mobilization of national resources are not sufficient to sustain economic growth, eradicate poverty and consolidate the sustainable development to which we aspire. We also need a new and appropriate international architecture, especially in the financial arena. At the International Conference on Financing for Development, held in Monterrey, the heads of State and Government in attendance acknowledged that the mobilization of resources for development entails a shared responsibility by public and private actors at the national and international level. We also concluded that a new alliance was needed between developed and developing nations in order to achieve our development goals. Consequently, the countries of the region have emphasized the importance of promoting financing

strategies to mobilize national resources in support of sustainable development policies.

In addition to sound economic policies and efficiency in public spending, we must seek out innovative instruments and the participation of the private sector in order to promote initiatives for social development and environmental protection. Sustainable development in the Latin American economies will hinge upon a sound, solvent and efficient fiscal system that takes into account not only the impact of the tax burden on competition policy, but also the environmental implications of fiscal and public spending policies.

In other important actions, we have encouraged the adoption of economic, fiscal and market tools aimed at fostering environmentally friendly behaviours. In the fiscal area, for example, we have taken firm steps to ensure the sustainable use of water resources. We have made a significant commitment to this issue by identifying water as a national security concern and by increasing investments to protect this vital resource, mainly through initiatives that combine private and public investment. By working in this way, we have been able to make further progress in this vital area for Mexico.

In Monterrey we called for the building of country-internal partnerships between government, the private sector and civil society, as well as partnerships between countries, with a view to encouraging the financing of sustainable development. Here, special mention should be made of the joint experience of Venezuela and Mexico in providing oil on favourable terms to their sister nations in Central America and the Caribbean under the San José Pact (American Convention on Human Rights, 1969).¹

We are also working within the framework of the Puebla-Panama Plan to build infrastructure for the region, specifically for roads and energy supply. In this regard, we have already begun work under investment projects in excess of 40 million dollars for rural electrification connecting Mexico and Guatemala. The countries of Central America have also already begun construction of a trunk line to bring electricity to the whole of the region, which will make us part of an interconnected power grid in a regional effort for sustainable development.

In Doha it was recommended that additional tariff reductions be implemented and trade barriers and agricultural subsidies eliminated, as they

¹ See American Convention on Human Rights at www.oas.org.

distort trade and are harmful to the environment and natural resources. To be sure, we will need to move forward gradually with the Doha conclusions, which will be revisited next year at the meeting in Mexico,² at which time we will have to break through the barrier of immobility and reach more specific conclusions on such delicate issues as agricultural subsidies and others which have been assigned high priority on this agenda.

Following the path from Doha to Monterrey and now to Johannesburg, we are able to link together the commitments made in the trade sphere, particularly with regard to subsidies. These issues, which relate to the financing and sustainability of development, are embodied in the Plan of Implementation that will emerge from Johannesburg.

We must also ensure that the benefits deriving from the markets for environmental goods and services are distributed in an equitable fashion. In this connection, Mexico –on behalf of the Group of Like-Minded Megadiverse Countries,³ which includes various Latin American countries– has secured the inclusion within this Summit’s action plan of a commitment by the international community to establish a framework to regulate access to genetic resources located in developing countries. This initiative will no doubt benefit the indigenous populations and local communities in our region and will promote the sustainable use of our biodiversity.

Mexico also urges all businesses that have profited from globalization to confirm their commitment to sustainable development. A commitment from energy-intensive businesses is particularly important as the impact of climate change on the planet is one of the main challenges facing the international community. The forging of a new regional alliance in support of sustainable development will broaden and accelerate progress along the course set for us by this meeting in Johannesburg. The countries of Latin America have sought to speak with a single voice and in joint representation at international forums, and together are building significant capacity to influence issues that are vital to us and that we wish to share with the rest of humanity. As the public sector, private enterprise and civil society also work together, we will continue to gain a stronger presence in forums such as the one in which we are participating here. Certainly, this voice and this presence have been firmly established here in Johannesburg.

² See Fifth WTO Ministerial Conference, Cancún, Mexico, 10 to 14 September 2003 at www.wto.org/.

³ See Meeting of Like-Minded Megadiverse Countries, Cancún, Mexico, 2002 at www.semarnat.gob.mx/.

On few occasions before have we seen such expression and acceptance of the views and proposals of Latin America, which are clearly well-founded and show great respect for the natural resources of the planet.

I therefore believe that this meeting bears witness to Latin America's interest in seeking greater unity and more common positions that will allow us to ensure a place for the environment and natural resources on the global agenda from a Latin American perspective.

In closing, allow me once again to welcome each and every one of you and especially the participants in this panel, which I am sure will generate additional ideas on these very important and strategic issues.

GUSTAVO NOBOA

President of Ecuador

All of us in Latin America face the same challenges. Some are more difficult than others, yet we all must take up the challenge of shaping our destiny. We are what we are today as a result of problems in our countries that have been left unsolved for decades or have been only half solved.

In the effort to achieve sustainable development, the first difference I see between ourselves and the developed countries lies in the interpretation of the term itself. Here I may be speaking more as the academic I have been for 40 years than as the politician I have been for the last four. When first-world countries speak of improving the quality of life, what does that mean for us? Perhaps our primary concern should be the lives of our people. Here is one example: early this year we began implementing an ongoing plan in the Amazon region of Ecuador to develop solar energy in indigenous areas that have no other kind of energy. What does that mean in terms of the past and the present? In the Amazon, snakebite serum will save the life of a person who has been bitten, but without something as simple as an electrically powered refrigerator, the serum will not keep and thus cannot save lives among our indigenous population. Solar energy provides electricity, powers the refrigerator and makes it possible to use snakebite serum. That is what life comes down to in many parts of the Amazon region. And what might we say of other communities? What about the schoolteachers who have no electricity after six o'clock in the evening? When we speak of energy for our countries, what are we referring to? When we speak of sustainable development, we who are sitting here may understand that to mean

improving the quality of life. But what does it mean for our poor? What exactly is this concept?

I absolutely agree that the world today must fight terrorism in all its aspects; it has hurt us in the past, it is hurting us now and –God forbid– it may hurt us again. But I would love to see the same energy and multi-million-dollar resources devoted to the fight against poverty in our countries. If all those assets could be placed at the service of the world’s poor...

After the 4,000-metre-high Tungurahua Volcano erupted, Ecuador found it necessary –let us put some nice quotation marks around that word– to provide housing for our indigenous population. This was how they came to live in cement-block houses instead of the huts their people have built for centuries. Did a volcano have to erupt for them to enjoy a better quality of life? I have seen it in the faces of the young couples in our indigenous communities who get married at the age of 16, 18: we cannot live in these conditions and only begin to enjoy some quality of life after a natural disaster takes place.

Economic growth in Ecuador was 5.4 per cent last year –extraordinary by Latin American standards– and we hope to exceed 3 per cent this year. There must be steady improvement if we are to speak of sustainable development.

In October we entered the carbon emissions market, and we will be placing bonds on the Ecuadorian stock market. Here again, we feel that this is the only way that private enterprise and the State can jointly offer a service that is essential for Ecuador.

We have been through a great deal in the past three years. The construction of a new oil pipeline, which is vital to Ecuador since we have large oil reserves, and which, as required by the Constitution, has been authorized by the indigenous groups living in the area where it is being built, has come up against opposition from many environmental conservation groups. That is all well and good, but my question is, must we, the poor, always remain poor or even grow steadily poorer? Or should we find solutions that are within our reach? Do the countries that once destroyed and polluted their rivers and cut down their forests now need ours? They are welcome to these resources, but for a price.

We must be categorical about this. If the world needs oxygen from our Amazon region of Latin America, so be it; but there is a cost involved, an economic cost. There is no other way for us to move forward. They cannot put us between a rock and a hard place by telling us, while we are starving, to take care of our forests so that they can breathe cleaner air. That is unacceptable and inhuman. For those of us who are Christians, it is not Christian, and for everyone else, it is an affront to human dignity.

By joining forces with Peru and Brazil to form a tripartite alliance to manage our Amazon regions, we are creating a single Amazon region, with all that this step entails. All three countries want to link the Pacific to the Atlantic, and vice versa, through multimodal corridors or corridors linking Ecuadorian or Peruvian ports with Manaus, Manaus with the Atlantic and vice versa. I should add that one of our major export markets is Asia. As I said to the Chinese, the Japanese and the Koreans, we are neighbours. All that separates us is water. Let us think of that water as a modern *mare nostrum*, with no countries between us. If we provide a link between Asia and the Atlantic, the Pacific Ocean will serve us all; it will be a source of wealth and food for our people and will broaden the overall horizons of our countries.

At the Second Meeting of South American Presidents held in July 2002 in Guayaquil, Ecuador, we considered the energy issue. The idea was for all the South American and Central American countries to pool their energy resources. In December the energy networks of Ecuador and Colombia –and shortly afterward that of Peru– will be interconnected. This is how we are helping to meet each other's energy needs. If one country has energy that it can sell or give to another country, we should do that, instead of building another power plant that will further pollute the environment. These are issues that we are addressing with our neighbours in Latin America, and they are crucial to our progress.

Sixty-four per cent of Ecuador's energy is clean and safe. In a few days we will be opening a new hydroelectric plant, which is part of a new management plan for the small basins around the Andean region of our country. We will soon have the findings of studies commissioned to determine the extent of gas deposits in the Guayas Gulf. All this has been discussed with Peru and Colombia. Imagine Ecuador being able to obtain part of its oil through a Peruvian pipeline! This was once unthinkable, but today it is possible, thanks to the peace between our two countries. In short, we must come together. The message is simply this: we must join forces to create a new world for ourselves and for future generations, and we can only accomplish this by working together.

The only way to stand up to those who refuse even to sign the Kyoto accords is to unite. I see no other solution, and I believe that dialogue is the only weapon we possess. Unless we foster a dialogue among ourselves and present a united position to the industrialized first-world countries, we will not be able to call on them to partially restore the balance. That will only be possible if we stand together.

JOSÉ MARÍA FIGUERES

Managing Director of the Global Agenda of the World Economic Forum and former President of Costa Rica

Thank you, Mr. President. I would like to express my appreciation to you and the organizers of this event for having invited me to participate and to all of you for your presence here today.

If you will allow me, Mr. President, I would like to begin by recognizing a number of people for their leadership. First of all, I would like to recognize a great Latin American who is with us here this morning, Enrique V. Iglesias. He is known throughout the world, of course, for his brilliant career at the Inter-American Development Bank. But today I would like to direct your attention to Enrique V. Iglesias' involvement in the formulation of the meeting held at Stockholm 30 years ago with a view to placing the issue of sustainable development on the global agenda. He, together with Maurice Strong,¹ was also at Rio de Janeiro 10 years ago, and he has been a leading advocate in all these struggles. To paraphrase another distinguished Latin American, Julio María Sanguinetti, I would have to say, and would like to say, that wherever Enrique V. Iglesias goes, wherever he is, Latin America is there too.

Of course, my friends, when we speak of leadership at this event, we must note the absence of Maurice Strong and Stephan Schmidheiny, who worked with many of you to organize the Earth Summit.

¹ Senior Adviser to the Secretary-General of the United Nations and to the President of the World Bank and organizer of the Earth Summit held at Rio de Janeiro in 1992.

When we speak about sustainable development, we need to use practical examples, especially in our continent, where we are in such great need of them. We have to admit how much this Summit has cost us, because it has cost us so much that, if we had to frame Agenda 21 today, in the end we would have failed to do so. Today we seem to have more and better negotiators, but we negotiate less. Renewable energy is a case in point, and the truth of the matter is that we have to pay attention to such things.

Finally, I would also like to recognize the United Nations system for the excellent leadership it has provided. We often speak negatively about the United Nations. We say it is bureaucratic. We say that it moves slowly. We point to its failings. But we are responsible for those failings. The United Nations represents us; it is made up of our ambassadors and our missions. The United Nations has done humankind a great service by raising the issue of development at the summits held since 1992, especially those concerned with social matters and financing for development, as it did in Monterrey. Thank you, Mr. President, for your leadership at that meeting. It was high time that the question of financing for development should be addressed within the forum of the United Nations.

It is these series of summits, for which the United Nations has provided a framework ever since the Earth Summit in 1992, together with the upcoming social summits, that have given us a benchmark for our efforts to tackle the critical challenge that we are facing today. That challenge is to determine whether, by our actions, we are going to advance in the direction of a culturally rich, inclusive and sustainable society, or whether, by our lack of action, we are going to descend into the nightmare of an impoverished, destructive, and ever increasingly fragmented world. Advancing in the first direction is what I believe we all are advocating here today. It is no simple task because there are new and diverse pressures being exerted on the global system. I will mention four of them here.

First, there is the globalization process, advancing at different speeds in different countries and different regions, which is giving many people a feeling of exclusion within their own countries and regions. Second, we have the pressure of what many are seeing as a lack of political inclusion. This goes all the way from the communities in many of our nations to a unipolar world in which we are witnessing some of the shortcomings of unilateralism, including a tremendous lack of leadership in the environmental world. Third, there is the problem of market failure; these are the markets that we have been counting on and we have been strengthening over the last decade. There is a failure on the part of these markets to address the question of public goods, such as the environment.

And fourth, there is the seeming inadequacy of many institutional frameworks to cope with the challenges that we are facing today. This present state of the global system and these challenges have, of course, an effect on Latin America, and Latin America comes to Johannesburg with at least two responsibilities: a global responsibility and a regional responsibility. Our global responsibility should be based on our comparative advantages, so that we can lead from our strengths and bring focus to the debate on development. Biodiversity, my friends, is one of those topics. It is key to sustainability and to a form of development that will allow us to lead from our strengths. Conservation is good business sense. Conservation is *good* business sense. I am not promoting an extremist form of conservationism here. I am simply saying that investing in biodiversity makes absolutely good sense for good democracies and for good, healthy markets. Indeed, some of us believe that biotechnology is going to be to this century what electronics was to the previous century, and Latin America is sitting on an asset base that is going to allow us to move forward swiftly in financing our development.

In terms of setting that example for the world, I believe Latin America already has some noteworthy examples, but it should also continue to build upon these achievements in leading the world in the fight for biodiversity. I would like to cite three examples of what we are all doing, as well as a number of challenges that we should pose to global society.

Yesterday I heard President Pacheco of Costa Rica, in his address to the General Assembly, talk about the fact that Costa Rica has already set aside 27% of its entire territory “for the National System of Conservation Areas”. I am sure that President Pacheco, who has only recently been elected and taken office, will build on this legacy and will leave us, four years from now, with above 30%, which is what we can do. A second example is provided by President Cardoso, who, just seven days ago, before coming to this summit, announced the establishment of the world’s largest tropical national park, in the Amazon basin. This is a tremendous example for the entire globe to follow. And the third example is what we are doing in some of our institutions in Latin America. Don Enrique García, President of the Andean Development Corporation, who honours us with his presence here this morning, has been working for two years with his team to put together a mechanism through which Latin America could begin to export environmental services, and they have recently closed an US \$ 80 million transaction from which the Andean countries will be able to benefit. I hope Enrique will speak to us about this initiative today. It is another example of what Latin America is already doing. Now, actions of this sort give us

the moral strength, the moral standing, to challenge the world on one very fundamental issue. There is today a lack of global polity: global polity, not global governance, not a big government for the world, but global polity. The ability to coordinate our actions, to align institutional frameworks so that they are synchronized and so we can leverage on each other's institutional resources and can build synergies as we are moving forward with these very important agendas. We need a global polity in order to advance in a number of directions. There are, in this connection, some examples that I want to throw out here as a challenge to the entire globe. What we should be talking about here, ladies and gentlemen, is a global emissions tax, a global emission tax such as the ones that some countries already have. This tax would be levied on all fossil fuels and would be paid by global consumers everywhere. It would be progressive (to please the economists). And it would provide us with a great deal of resources which we could then begin to invest in creating markets and special endowment funds for environmental services. Together with these challenges that we need to face as a global polity, we also need to face some challenges that are very specific to the international financial network. I ask you: are some of the international financial organizations which are not represented here this morning –and I am not referring to the World Bank–, relevant in the world of today? Are they helping the countries really address some of the challenges that they face? Let us think about private rating agencies such as Standard & Poor's or Moody's. Private corporations are now rating governments, rating sovereign countries. These young men and women –these 26- or 28-year olds who are the analysts– get up in the morning, read the papers and then, depending on how they see Brazil, they put out a notification and the markets take the country to the cleaners. Is this some type of new dictatorship of the markets over democracy? Are the markets of the world telling Brazil, which is going to hold a clean, transparent election, “Brazil, watch out whom you elect in October or November, because if you elect such and such a person, we are not in agreement with we are therefore going to begin to punish you as of now?” Amigas y amigos, this is why we require a global polity if we are going to move forward on an agenda for development.

Now, with respect to Latin American's own regional responsibility, which is the other part of the agenda that we have come to Johannesburg to formulate, it is clear that, from an ethical, a moral, an environmental point of view, there is no greater responsibility than the war on poverty. President Noboa spoke very articulately about this and President Fox also mentioned it in his introductory comments. The war on poverty is our

own axis of evil, and it stretches all the way from the Río Grande in the north to Patagonia in the south. Poverty in Latin America is compounded by a tremendous sense of injustice, because, as Enrique V. Iglesias has often said, we are also the most unequal continent in the world. The most unequal continent in the world. This means that we not only have a poverty issue, but also that the difference between the top percentile and the bottom percentile is the greatest in the world. That is a regional agenda that requires focus, that requires shifting the paradigm toward sustainability, toward fighting at least poverty on these specific fronts. The first front that we should fight poverty on is, of course, the economic front, and here I do believe that we have to do things in a rather different way. President Fox talked about shifting tax structures and about what progress has already been made in Mexico in this respect, which is a great deal. Many other countries have done the same, but I believe that it is time that we begin to seriously evaluate the possibility of shifting the entire tax structure away from being a tax on work and savings, which is what we are taxing today, and beginning to tax the waste of our natural resources. A tax on the use of natural resources would also be tremendously progressive; would have tremendous benefits not only for the environment but also for the development equation as a whole. Second of all, here on the economic front, we need to concentrate on growth, and growth requires that we concentrate on our competitive advantages and on developing them. I am glad to see the Inter-American Development Bank working so much in this field. And third, we should make the Doha Round, which President Fox mentioned, the Latin America Round. We need to open up the markets for our products so that we can be competitive on a global scale. On the human development front, water (the “W” in WEHAB),² health (a field in which Madam Brundtland, who I see here with us today, has done so much) and energy (the E in WEHAB) are issues on which we have to invest more in Latin America, and to do so I would propose that we drastically cut the immense military budget. Very recently I was in one of the poorest nations of Latin America –one of the poorest, in spite of the tremendous amount of natural resources they have. While I was in this nation, which will remain anonymous, I was listening to the radio as a taxi took me from the airport to the capital. The big debate was about whether they were going to invest –“Invest?” No. “Spend”,

² See Chairman’s Summaries of the Partnership Events (WEHAB Discussions) at www.johannesburgsummit.org.

“waste”– US\$ 200 million in spare parts for F16s; US\$ 200 million to fight whom? To defend themselves against whom? To do what? Is that the leadership we need in Latin America? Is that the example that we are setting for new generations? No wonder fewer and fewer of the members of new generations want to go into politics. On the environmental front, I have already mentioned biodiversity and environmental services, so I will not go further into those questions now. On the democratic front, we need efficient government institutions. For too long now we have been saying, *amigas* and *amigos*, that the market will take care of just about everything. Wrong. Look at what we have done after two decades of reforms. Of course we need markets. Of course I am a believer in the energies of the market, but alongside the market, we need strong institutions that are strategic and that gives us a framework in which to operate. So, if these are some of the priorities that we need to focus on in order to fight poverty (which would also help us work for a better environment), we also have some new tools. Information and communication technologies (ICTs)³ are a new tool that we should deploy in all our countries, and here the United Nations is trying to make steady progress with its ICT taskforce. I also believe that society is organizing itself in a new way. Perhaps if, God forbid, Europe experiences more floods such as those that occurred last week, perhaps if the countries in Europe are hit by a second round of flooding because of climate change, perhaps if two or three years from now, consumers and investors whose stock has plunged (because they are going to have to pay the insurance costs), perhaps those consumers will act independently but on a united front to boycott products coming from countries that do not sign on to Kyoto, as President Noboa has just mentioned here. We also have regional institutions, such as ECLAC and IDB. Last but not least, I believe that if we hold to the values and principles that the Almighty has given us, we can stand up and move forward together.

³ www.unicttaskforce.org/.

ENRIQUE V. IGLESIAS

**President of the Inter-American Development Bank and Chairman
of the Board of Executive Directors of the Inter-American Investment
Corporation**

I would like to begin by greeting the public officials and renowned scholars who are attending this event, along with all the friends who I see are present here today, and to thank you for giving me this opportunity to share my views with you. It is gratifying that this panel is being held at such an opportune juncture, when so many countries in Latin America and the Caribbean are grappling with the problems raised by economic stagnation and increasingly acute social needs. We must make every effort to overcome these problems while keeping our sights on the need to ensure long-term sustainable development for our countries.

President Vicente Fox's initiative to hold this panel discussion has been a very welcome one, and I commend the Economic Commission for Latin America and the Caribbean (ECLAC), the United Nations Development Programme (UNDP) and the Andean Development Corporation for having supported this idea. I feel it is very important to have taken the decision to hold a Latin American event within the framework of the World Summit on Sustainable Development. It is also important that it should be convened by President Fox, who presided over the International Conference on Financing for Development held a few months ago in Monterrey, which was a truly outstanding achievement for the United Nations. This event will no doubt make a valuable contribution to the follow-up to Monterrey. We should also be aware, however, that these conferences do raise some doubts because their accomplishments are not

clearly observable in the short run. It should also be understood that the kinds of topics that are addressed at these summits are long-term issues. It takes years for these issues to crystallize, just as it takes years for the critical mass of mankind's awareness of these questions to coalesce.

José María Figueres did well in reminding us of the role played by Maurice Strong, who has been a veritable gladiator in championing this cause for some 30 years now. From Stockholm to Rio de Janeiro, he has stood firm, with the same sense of commitment that he has always held. José María Figueres also did well in speaking to us of the United Nations, which does so much to help shape an awareness of mankind's global responsibilities. Over the past 30 years, I believe that these conferences have opened up two major fronts on which we are now working: first, the refinement of the concept of sustainable development and, second, the identification of shared responsibilities in this great joint enterprise of ours.

We have also been recalling the memorable conference held in Stockholm, at which I had the privilege of working closely with Maurice Strong. One of the difficult tasks that faced us at that time was to convince the developing countries that a conference about the environment was not simply a trap laid for them by the industrialized countries. This was a difficult task because they had many doubts, and we had to lay conceptual foundations that we could then build upon. This job was undertaken by a group of experts at the meeting held in Founex, Switzerland, in 1971, where a number of principles were established that served as the starting point for this concept—a concept that took 30 years to reach maturity.

I still recall some of the points that won over the developing countries' good will and trust in this United Nations effort. First, there was the premise that development and the environment should not be opposing objectives but rather should be complementary and provide mutual reinforcement, as well as being both desirable and viable. The second was the identification of sources of environmental aggression, which could come from population growth or from energy concerns—areas in which great miracles could be achieved or great disasters could occur.

It was then that a very important concept was introduced into the debate: the industrial countries' concern with bringing about an improvement in the quality of life. For developing countries, the quality of life is not the only question. It is also a matter of life itself. When we talk about the fact, as we did yesterday, that there are 13 million people on the verge of starvation in this subregion, we need to understand that, for those people, development is life itself.

Another concept that was introduced was the notion of poverty. Poverty is, in itself, a source of disturbances in the environmental and social balances of contemporary life. After these issues were put on the table, what had begun to be referred to as “the conference on the environment” started to become known as the Conference on the Human Environment.

Many other meetings have come in its wake. Most recently, the Millennium Summit has made an enormous contribution, and I feel that our friend, Mark Malloch Brown, is deeply committed to the Millennium Development Goals and is doing an excellent job in that area. Then came the Conference in Monterrey, which, in my opinion, made a unique contribution by placing the question of resources at the centre of the debate and drawing up an accounting of the efforts that will have to be made: domestic efforts, international cooperation and, in particular, the liberalization of world trade. This was the first time that the United Nations had introduced the issue of trade as a component of sustainable development.

And now we are here. At this meeting we should begin by focusing on Agenda 21 as formulated in Rio de Janeiro and, going on from there, should continue working on the central element of that message, which is the concept of common but differentiated responsibilities.

This means that we need to turn our attention once more to governmental responsibilities, good governance and appropriate macroeconomic management. We also need to turn to the private sector. In touching upon this same point, José María Figueres has spoken about the commitment that began to be seen in 1992. Business has social responsibilities that it should assume, and these responsibilities are becoming increasingly evident. Civil society must play a part as well, because the basic resources we need are to be found within civil society. Those of us who work in international organizations sometimes concern ourselves with the need to secure financing for macroeconomic measures while disregarding microeconomic issues and the work of non-governmental organizations or, in other words, what is going on at the grassroots level of society and within the international community. All the issues involved in achieving equality of opportunity in terms of trade, in access to financial resources and in access to technology are part of this process.

I believe that Latin America has played a significant role in this connection. ECLAC has been working in the field of development for 50 years now. In fact, in the 1960s, ECLAC was already working with the idea of integral development, thus planting the seed for what we now call sustainable development. The former corresponds to the latter.

I would say that an implicit consensus exists in Latin America today about what the term “sustainable development” means. This concept has five main facets:

- Sustainable development is, first and foremost, democracy and human rights. It is the type of life we aspire to.
- It is also dynamic, competitive economic growth.
- But it is also social development, since we want to overcome poverty, inequality and exclusion.
- And it is also institution-building. We need public and private institutions, a new State and a new concept of socially responsible business.
- And finally, we want to conserve the wealth of natural resources with which our region has been blessed. Our region has a truly magnificent heritage of resources that we must preserve for future generations. In order to do so, we must make intelligent use of those resources to support development.

We have learned a great deal about these matters in Latin America, but perhaps the most important lesson of all is that we cannot sacrifice any of those five facets. When some people in Latin American countries that have suffered through authoritarian regimes wanted to sacrifice democracy and human rights in order to achieve rapid development, they failed miserably because society rejected the idea. When, at some points in time, we wanted to give economic progress precedence over social progress, what we ended up with were society-less economies, and society opposed them. And when we wanted to have social development and lapsed into a naïve form of populism, all that we ended up with were economy-less societies, and society rebuffed them too. If we have learned anything in the last few years, it is that no one major objective can be sacrificed on behalf of another.

All of the countries have made progress. Both President Fox and President Noboa have made this crucial point. When we held the Conference on the Human Environment in Stockholm in 1972, there were no environmental NGOs whatsoever, and there were only a handful of conservationist NGOs. But today there are tens of thousands of civil society institutions working in the field. This is a very big stride forward.

Today we know what the components of sustainable development are, but we also know what problems we are facing here in Latin America in connection with this concept. I would say that there are three main problems of this sort:

- We are concerned about the extraordinary volatility of our commercial and financial markets. This instability has extremely serious implications in terms of environmental development. When the price of coffee plummets and coffee growers are reduced to living in abject poverty, this not only affects their quality of life; it also exerts great pressure on our natural resources. When the prices of our raw materials are undermined by a lack of recognition and by agricultural subsidies, social and environmental pressures increase. When capital flows drop off suddenly, as they did in some countries of our region last year or the year before, economic depression ensues, poverty grows worse, social lags increase and those lags' adverse impact on the environment is heightened. We are concerned, therefore, about this volatility and about the need, as we said in Monterrey, to have an international economic system that is based on new principles, principles that apply both to the financial architecture and to the trade policies announced in Doha.
- The second problem is the slow pace of economic growth in most of the countries. Latin America will need to grow much more rapidly than it is growing at present in order to solve its social problems. But this is no easy task. We need to realize that the Governments are grappling with an array of problems: the exigencies of short-term demands, the need to devise policies that will preserve macroeconomic equilibria which are compatible with economic reactivation, and the need to bear in mind the close link that exists between growth-oriented policies and sustainable development.
- The third problem, which stems from the other two, is the increase in poverty. Recent crises in some of our countries have triggered a remarkable surge in poverty, and this, too, is a disturbance that works against sustainable development.

These three issues –volatility, slow growth and deepening poverty– are the problems that concern us most today, in the year 2002; not in all the countries, certainly, nor to the same extent or degree, but they are all issues that jeopardize sustainable development.

These are the challenges that face the major actors which the United Nations has gradually been identifying. They must, of course, be addressed by Governments through the implementation of policies that reconcile macroeconomic equilibria with reactivation. They must be addressed through integration. A great deal is said in forums such as this about global

public goods, and I find myself referring more and more to regional goods. There are a number of important regional public goods. The quest for integration is one of them. Latin America will be able to meet the challenges I have just listed more successfully if it starts from a regionally or subregionally integrated platform. At those levels, problems have other types of solutions and the cost of those solutions is lower. This is a “good” on which we have been working for many decades now and which could figure as an essential part of the solutions to our problems today.

And then there is the international community. I hope that those of us gathered here will once again reaffirm the belief that these conferences should appeal to Governments’ sense of responsibility and conscience, and that we will rule out “charity” as an option. Charity is eminently legitimate. The major religions hold charity to be one of their fundamental ethics. But charity is the daughter of compassion. What we are talking about here is solidarity, which is the daughter of justice. I see the quest for solidarity as a way of calling for justice. And if we actually do this, then the United Nations will be fulfilling its message and its ethic, which is to appeal to the ethics and conscience of the international community in upholding the principle of solidarity.

JOSÉ ANTONIO OCAMPO

Executive Secretary of the Economic Commission for Latin America and the Caribbean

Since this forum is to focus on the relationship between the Monterrey and Johannesburg summits, I would like, first of all, to draw a few analogies between these two conferences, which have so many dimensions in common.

I would first like to point out that a similar set of political principles regarding international cooperation provide the framework for both of these summits. One of those tenets is, to use the term employed at the Earth Summit, the principle of common but differentiated responsibilities. This principle establishes the political foundation for the industrialized countries' assumption of greater commitments than developing countries in the sphere of international cooperation. This precept has been a subject of debate during both the preparatory process and the summit itself, but in both cases the end result has been a recognition of its extraordinary relevance. At ECLAC, in particular, our work on the subject has emphasized that this concept should serve as a fundamental guideline for international cooperation, since it specifically acknowledges the fact that, given the enormous inequalities and asymmetries existing in the global order, it is neither possible nor desirable to seek to "level the playing field" in the sphere of development.

Secondly, both summits have also reaffirmed the appropriateness of visualizing international cooperation as a joint enterprise to be pursued by an array of institutional networks, rather than as the task of just a few international organizations or as a matter of bilateral cooperation. What is more, at both summits it has been clearly established that bilateral assistance and the alliances that are increasingly being formed with non-governmental

organizations and the private sector are an important counterpart, but by no means a substitute, for multilateralism. Thus, the emergence of new actors does not diminish the State's role in the development process. On the contrary, it is widely recognized that the State bears a very special responsibility for forging links among production sectors, the community, social groups, regulatory regimes and, in particular, suppliers of public goods and merit goods. Whereas the former type of goods facilitate the formation of interdependent relationships, the latter help us to build equity based on a genuine equality of opportunity. In the final analysis, I believe this equality of opportunity should be defined as a way of building citizenship by strengthening the rights of all. This is why, given the world's growing interdependence and our aim of consolidating a more balanced global order, all these concepts have to be transferred from the national sphere to an international scale. In other words, they have to reflect a recognition of the importance of global public goods, as has been pointed out so eloquently by Enrique V. Iglesias, and of the need to build true global citizenship.

Thirdly, both conferences have focused political attention on the urgent need to reverse a number of trends that are having an alarmingly negative impact in terms of sustainable development. The International Conference on Financing for Development held in Monterrey sent out clear political signals as to the need to reverse the downward trend in official development assistance and to control the volatility of private capital. Meanwhile, here at this Summit, one of the many issues that has been discussed in depth is the need to put an end to inequality at the international level and to the unsustainable use of natural resources.

And finally, both summits have underscored the pressing need to implement existing multilateral development agreements and to ensure they are consistent with one another. In light of this need, the focus of the debate has been shifting from what "should be" to what "should be done". Along these same lines, the negotiations on environmental issues are being directed more towards the development of implementation tools rather than towards the further strengthening of the legal regime. This does not mean that the legal regime has been completed in all cases or that a consensus exists as to what spheres of action are most appropriate for this purpose. In point of fact, the inadequacy of the existing international institutional structure for financing development was made clear in Monterrey. It also became evident at that conference that it was time for the consideration of issues of multilateral economic and financial cooperation to be resumed within the United Nations, following two decades during which, in the wake of the

failed debate on the new world economic order, they had not been addressed in that forum. Unfortunately, efforts to build a new legal institutional structure and to strengthen international governance are hindered by major obstacles from which none of these processes is exempt.

This having been said, I would like to devote the second part of my statement to a brief review of the main conclusions set forth in *Financing for sustainable development in Latin America and the Caribbean*, a document prepared especially for this Conference by ECLAC and UNDP. This study analyses the environmental dimension of sustainable development in the light of the challenges identified at these two summits.

The Earth Summit generated a great deal of political momentum for the development of a stronger institutional structure in the field of the environment in all the Latin American and Caribbean countries and for a number of subregional and regional processes. Environmental management became a governmental function of ministerial rank in most of the countries. The Governments also began to expedite the formulation of environmental legislation and build the capacity to promote a range of civil-society and private-sector initiatives. The progress made in these areas differs from one country to the next, and the region has had its share of highs and lows. Some countries have made substantive advances for a time, only to suffer setbacks later on. Clearly, the political importance of environmental management and its orientation are in large part a function of how high a priority Heads of State assign to them.

The main weakness in this area has to do with the relative stature of these agencies within the State apparatus, especially relative to the ministries responsible for economic affairs. The amount of the public budget allocated for environmental management is one good indicator of the importance placed on it. Our study demonstrates that, generally speaking, public spending on the environment rarely exceeds 3% of the total and, if private expenditure is included, environmental expenditure seldom tops 1% of GDP. In addition, the macroeconomic instability seen in various countries of the region, especially during the past five years (recently described by ECLAC as a “lost half decade” in terms of growth), has led to budget cuts that have dealt a blow to the environmental sector. What is more, with few exceptions, policies designed to fuel investment –especially foreign investment– and exports have given little consideration to their environmental dimension.

One of the central recommendations made in this study is therefore that urgent steps be taken to develop and modernize the institutional platform as a means of working towards a true integration of public policies, consolidating clearly-defined, consistent regulatory frameworks

and achieving stable levels of public expenditure that will foster valuable synergies with international finance and private investment. One of the main corollaries here is that, if the chief task of the 1990s was to build an institutional framework for environmental management, then the primary task of this coming decade will be to mainstream environmental issues into the economic agenda in a meaningful way. This reflects a recognition of the fact that environmental issues will receive priority attention only if they are part of the day-to-day concerns of ministries of finance, industry, foreign trade, energy, mining and agriculture, as well as, of course, private firms. From the standpoint of sustainable development, this entails a convergence between policies explicitly aimed at promoting an environmentally sound form of development (which usually are, of course, environmentally-friendly) and those implicit in economic policy (which is not always so “friendly” and, indeed, at times may be downright “environmentally-unfriendly”). An essential element in this transition towards environmental sustainability’s full incorporation into the economic agenda will be to view it as an opportunity rather than as a constraint on economic development.

With respect to external financing, during the past decade a dichotomy between official development assistance (ODA) and foreign direct investment (FDI) has taken shape. Flows of ODA to the region have been comparatively less significant (US\$ 5 billion, which amounts to 12% of total ODA) and are concentrated in a few low-income countries. On the other hand, the region became a magnet for FDI during this period, although flows have primarily been directed to the largest, highest-income countries. Furthermore, they have dropped off sharply in the last two years, and total FDI for 2002 was less than half its 1999 level. Yet neither of these two types of external flows is clearly or explicitly oriented towards sustainable development. It should not be forgotten that other private flows have not only been more volatile but have also decreased considerably since the Asian crisis, as well as reflecting, with few exceptions, high rates of external indebtedness.

Not everything is so bleak, however. Latin America and the Caribbean have the most comprehensive multilateral banking network in the developing world. This network includes the Inter-American Development Bank (IDB), various subregional banks and the Andean Development Corporation, which is soon to become a Latin American bank as it welcomes a number of Caribbean members. This network has made a valuable contribution to sustainable development over the past decade by helping to build a stronger framework of environmental institutions and by funding

clean production projects and other innovative environmental initiatives. The remaining national development banks have also incorporated some of these areas of activity into their lending programmes, while private banks, for their part, are taking the first steps towards integrating the environmental dimension into their lending operations.

The primary contribution that ECLAC can make in this regard is to promote sustainable development by helping to articulate environmental policies with economic and social policy and to link environmental issues to other spheres of public policy, particularly fiscal policy and the promotion of productivity. I would therefore like to conclude my statement by making three proposals –based on this debate and the documents that have been presented here– for follow-up to the Johannesburg Summit in the light of the Conference held at Monterrey.

1. Consolidate an information platform for sustainable development

The implementation of environmental protection policies requires a number of tools. National information systems are one of the most essential tools of this type. These systems need to be modernized, however, through the institutionalization of procedures for compiling, analysing and disseminating environmental statistics that will provide a full and up-to-date picture of the gaps or discrepancies that exist in terms of sustainability in all major spheres of economic and social development. In addition to the usual sorts of statistics on macro- and micro-economic factors, on poverty, employment, education and health, we need to construct environmental indicators. Having this kind of information is the only way we can measure the achievement of goals and draw comparisons between countries for benchmarking purposes. For example, there is no standardized method of measuring environmental expenditure. Thus, a great deal remains to be done in order to establish proper information standards.

2. Establish a financial platform for encouraging private participation and contributions of international resources

We need to lay the foundations for a multilateral financial network for sustainable development that will facilitate subregional integration efforts in the Andean countries, the Amazon, the Caribbean and Meso-

America. This network should also act as a catalyst for private investment in order to multiply the impact of concessional multilateral funds in promoting sustainable development.

As President Fox and President Noboa have already noted, one of the key elements in the effort to engage the private sector in these activities is the creation of markets that can capture the economic value of the environmental services produced by the region. This highly significant innovation, as set forth in the Kyoto Protocol, is just the first step towards channeling private investment into environmentally-friendly activities, particularly the conservation of biodiversity and the development of a carbon market. This would enable the region to capitalize upon its enormous potential –given its natural resource endowment and its possession of globally important ecosystems– as a supplier of environmental services of benefit to the entire planet. Serious consideration should therefore be given to the possibility of using concessional resources from such agencies as the Global Environment Facility and the Multilateral Fund established under the Montreal Protocol to set up pre-investment and venture capital funds for use in stimulating private investment. Similar instruments can be developed at the regional level to attract private investment to joint ventures in such sectors as ecotourism, biodiversity conservation and the development of a carbon market, thus introducing a line of action that transcends concessional, aid-based approaches. An effort will also have to be made to modernize national environmental institutions and to ensure that their modernization is reflected in their budgets and in the monitoring of their performance, as well as in the design of new financing mechanisms. As former President Figueres has said, we must be bold. I am referring here to the idea of launching a new fiscal covenant for environmental development. This covenant, which would also include private domestic investment, could enable the region to get a bigger “bang for the buck” out of public investment and make the most of international mechanisms to complement national efforts. On this basis, a platform should be built to support the creation of markets through the valuation of local, regional and global environmental services. Within this context, attention should focus on two main areas of endeavour: the development of a regional economic foundation for the effort to build the countries’ capacity to implement the clean development mechanism; and an assessment of the economic potential of the region’s biodiversity and biotechnological opportunities.

3. Consolidate a public/private institutional platform

And finally, as pointed out earlier, a solid institutional platform for environmental development needs to be built. Efforts to accomplish this should focus on three objectives: (a) mainstreaming environmental management into national economic policy; (b) developing a variety of schemes to allow the public sector to work in partnership with civil society and the private sector; and (c) designing international cooperative systems as global, regional, subregional, national and local institutional networks. Intensive international engagement in these three areas is essential if our region is to meet the formidable challenges it continues to face in the sphere of sustainable development.

MARK MALLOCH BROWN

Administrator of the United Nations Development Programme

After the major focus here this week on Africa's economic and environmental crises, I find it striking how, when it comes to the financing of sustainable development, Africa and Latin America are so very different. Throughout most of Africa, other than South Africa, foreign aid grants are, broadly speaking, the principal source of public financing. Foreign aid makes up a very high proportion of the funds in government investment accounts, and constitutes a very large part of government spending. In contrast, foreign direct investment in the region by private companies is very, very modest (except in South Africa, and except in the energy and mining sectors). In fact, less than 3% of the world's foreign direct investment flows go to sub-Saharan Africa.

Contrast that with Latin America, where there is much less dependence on official development assistance. At this stage, such dependence is limited to the very extreme pockets of poverty that still exist in Latin America, but there is a much higher dependence on both concessional finance and, obviously, foreign direct investment. Perhaps most strikingly, the real engine of economic development in the Latin American and Caribbean region has been domestic savings and investment; that is, domestic generation of capital.

Of course, the region is also helped by having very strong regional financial institutions. I think countries in other parts of the world, confronted by the occasional parsimony of international financial institutions, wish they had in their corner the Inter-American Development Bank and the Andean Development Corporation, the main development bank lenders for so much

of Latin America. Central America and the Caribbean benefit also from the respective subregional development banks.

These conditions give Latin America a tremendous moral platform on issues of sustainable development globally. This is precisely because so much of Latin America has escaped the absolute penury and dependency on official development assistance that still characterizes the very poor countries of Africa. It gives credibility to Latin American voices of leadership. The statement by Mexico's President Fox this morning is a perfect example. It is Latin American countries –particularly Mexico and Brazil– that have taken a lead on issues such as mega-biodiversity and sustainable energy, as well as, more broadly, forging a middle course in international affairs in forums like the United Nations. Latin American leadership at the global level has clearly emerged even more in recent years than before.

The benefit of strong domestic economies gives Latin American countries an ability to lead in exactly the areas we are addressing here today. There is an inventiveness in Latin America, a drive to find new ways to combine public and private finance –a luxury not afforded to all countries. The basis exists already in many Latin American countries for examining how strong domestic financial systems –so often too concentrated in such countries' capital cities– can be extended outward to reach poorer areas.

There is a key role played by domestic financing –we see this all the time at the United Nations Development Programme. Whether it is the availability of microfinance from public-sector banks or the encouragement by Governments of commercial banks to extend microcredit to rural areas, domestic finance plays a major role in facilitating sustainable development.

Aside from the sharing and spreading of financial capacity that can be seen all over the region, there is also emerging a long-overdue return to asserting the important role of government in development. Again, leadership in this trend is coming out of Latin America. The challenge of sustainable development cannot be left to the market. Production and distribution to the poor of such basic, needed commodities as energy and clean water, so central to our discussions here this week, will not be accomplished by standing back and simply inviting multinational utilities to come take on the task. Energy will not be extended to rural areas, for example, without a strong framework of government leadership, incentives and, potentially, government finance, to encourage and leverage the private sector's involvement. These are clearly sectors where private financial institutions have a role to play. But I suspect that when it comes to supplying clean water in rural areas, public finance will be needed to install the initial infrastructure.

Starting with Bolivia's debt-for-nature swaps, to focus on one example, it seems to me we can go to the next stage, which is debt-for-sustainable-development swaps. This potentially can involve much more sophisticated financial instruments, aimed at capitalizing on biodiversity, not only at the national level, but also for the small farmers in local communities where sustaining biodiversity can go hand in hand with development. Biodiversity is an asset that can be capitalized, and this can be a part of measures to address land rights in an effective way. Whatever the difficulties, there are definite opportunities in these areas to innovate and lead, opportunities in Latin America that are not so clearly available in many other parts of the world.

Taken as a whole, the last 15 years of relatively modest per capita economic growth in Latin America, accompanied by major structural reforms in many economies, have been harmful to two assets: people and nature. These structural economic changes have exerted tremendous stress on democracy, including by creating a troubled disconnect between the executive and legislative branches of government. We have all seen the opinion polls showing the military as gaining popularity over political institutions in many Latin American countries. Democracy is viewed as not having delivered: not having delivered poverty reduction, not spreading the benefits of growth to all.

We see in the annual *Human Development Report* issued by UNDP that, in a sense, the model of growth that has predominated in the region for the last 15 years has in some ways pitted people against nature. It has been a model that has not sought to bring the interests of people and nature together. The preservation of nature was framed in opposition to the economic needs of society. The drive to maximize exports runs through the philosophy of "structural adjustment" at the expense of preserving biodiversity and the natural assets of a region.

If we are to forge a new paradigm of growth in this region, it must be one that puts nature and people back together again, drawing on science and information and communication technology, with a vision of how the two can reinforce each other, integrating environmental protection with the production of growth and opportunity for the poor.

What are the practical steps we can take now? I believe this summit in Johannesburg –this "Earth Summit"– must strive to be more "down-to-earth" and people-focused than the Rio summit that came before and yielded the multilateral environmental conventions and Agenda 21. This time, we can and must put in place effective follow-up by using the Millennium Development Goals: adopting a real action plan and forging partnerships

around water and sanitation, energy, health, agriculture and biodiversity. That will only happen if these Millennium Goals become not just something on which government officials trade information at international meetings, but something that is shared and –like the national human development reports in so many countries– thrust to the centre of domestic politics.

An ideal example of how data can change politics is the case of Mexico, where you, President Fox, launched a national human development report when you were Governor, demonstrating that the claims of the central Government to have reduced poverty and improved the quality of life were not an adequate reflection of the reality experienced by the people, particularly the poor. The matter was resolved, in the end, with that ultimate resolution of any political debate: the election of a new leader. And now we have President Fox.

I would like to see these Millennium Development Goals, this use of data at the national and regional level, become a similar movement globally. If we can give people the power, community by community as well as nationally, to track progress towards the commitments made at the Millennium Assembly, at Monterrey and at Johannesburg, we will have really democratized these summits. We will have created a way for people to hold us to account. And if and when we don't deliver as Governments, then at the ballot box they can throw the rascals out.

ENRIQUE GARCÍA

Executive President of the Andean Development Corporation

It is a great pleasure for the Andean Development Corporation to sponsor this important event together with the Mexican Government, ECLAC and UNDP, and for me to share the podium with such distinguished panellists. It is quite a complex challenge to be the last speaker. On the one hand, everything that is important has already been said, and what is not important is not worth saying. On the other, there is the advantage of being able to borrow the valuable ideas that have already been presented and repackage them, as consultants do, repeating them as if they were original.

I will try to share some thoughts on the key issue of sustainable development, and then offer some ideas on how a multilateral financial institution can make the transition from theory to practice.

We have heard two heads of State –President Vicente Fox and President Gustavo Noboa– and the other panellists speak of the serious problems afflicting our world. While Latin America has been undergoing a major reform process in recent decades that has set it apart from other regions of the world, the bad news is that, in comparative terms, the Latin America of today is in worse shape than it was 50 years ago: it is now the fifth most important region in the world, whereas it used to be the third. Twenty years ago, the per capita income of the OECD countries was twice that of Latin America; today it is nearly four times higher. Suffice it to say that, according to the World Economic Forum's most recent competitiveness index rankings for 80 countries worldwide, Latin America comes in fifty-eighth, on average. Moreover, we all know that, even today, one in three

Latin Americans lives on less than two dollars a day. That is the reality of our region.

I believe that growth in the region is slow, unstable and based on a model which, with very few exceptions –Mexico being one of them– is still structured around the generation, production and export of natural resources and raw materials, which are highly vulnerable to external crises.

Then, of course, we have poor distribution of wealth, in addition to the most serious issue of all, which has been amply discussed at this Summit and in the preparatory meetings: profound international asymmetries in the areas of trade and finance, among others.

How can we change the future? Rather than speaking of global efforts, which have been thoroughly covered by the Presidents and the other panellists, I wish to stress that the region should be seen in a different light. I believe that regional efforts to develop a new agenda, take practical steps within the framework of sustainable development and strengthen our ability to influence international negotiations on global issues are an essential starting point. The Andean Development Corporation is working on the design and implementation of a new development agenda for Latin America aimed at achieving strong, stable growth that encompasses economic, social, environmental and institutional variables to help enhance competitiveness, reduce poverty and strengthen democratic governance.

In this connection, I should like to highlight the following elements:

Moving from macro to micro

First, we should further shift our emphasis from a macro- to a micro-level approach; in other words, we should deepen microeconomic reforms that enhance efficiency and productivity, and we should work in a more integrated, interactive fashion. What should our basic objective be? To achieve much faster, more sustained, high-quality growth that will create jobs, eliminate poverty and reduce inequities. Speaking of inequities, we should remember that, even at Latin America's best growth rate, namely that of the 1990s –and specifically the rate achieved between 1990 and 1998– it would still take us over 100 years to equal the per capita income of the OECD countries.

Our work begins at home

The second element I wish to highlight is that our work begins at home. We must stress the importance of domestic efforts and regard outside help as supplementary. For such an approach to succeed, we must make serious efforts to increase domestic saving capacity and to strengthen tax systems and local financial markets. It is also essential to get solidly behind an agenda in which education, science and technology are of prime importance, in which infrastructure and logistics are viewed as building blocks of competitiveness and in which institutions, both public and private, are set up in such a way as to guarantee transparency and legal certainty. All this will have the added benefit of improving our negotiating capacity at the global level.

How do we move from theory to practice? In the first place, we need to crystallize a comprehensive vision of sustainable development as concerning not only the environment, but also the interrelationships between stability, efficiency, equity, human rights, transparency, governance and environmental balance. Secondly, the various forms of capital –physical, financial, natural, social, human, technological and institutional– must be addressed simultaneously. Thirdly, in order to accomplish all this, it is crucial for Governments and multilateral institutions to give sustainable development the priority it deserves in their work.

A shared responsibility of the public and private sectors and civil society

The third element is that these efforts must be considered a shared responsibility of the public and private sectors and civil society at the national, regional and international levels. As José Antonio Ocampo has rightly pointed out, multilateral institutions, in particular, bear a great responsibility. Latin America has strong, sound multilateral institutions, two of which are represented at this meeting. We can act as catalysts and play a proactive role if we are innovative, adaptable and capable of responding swiftly to the countries' needs. The basic role of these institutions should be to take a pragmatic approach to sustainable development. At the institution I head, we believe the issue of natural resources should be viewed as a question of efficient, sustainable management of resources as a tool for conservation. This is why we wish to emphasize concrete, pragmatic issues.

In closing, let me cite a few examples of this transition from theory to practice.

First, ADC is carrying out the Andean Competitiveness Project, launched specifically to support the Andean countries' efforts to deepen microeconomic reforms to strengthen the subregion's productive capital and become competitive participants in the phenomenon of globalization.

Another key project for improving the region's productivity is the Initiative for the Integration of Regional Infrastructure in South America (IIRSA), originally proposed by President Fernando Henrique Cardoso. This plan has now become a reality with the identification of 12 major integration and development hubs in which the synergy between road infrastructure, energy and the environment is viewed from an overall perspective. The Inter-American Development Bank (IDB), ADC and the Financial Fund for the Development of the River Plate Basin (FONPLATA) are the institutions supporting this endeavour.

A parallel programme –the Puebla-Panama Plan, which was already mentioned by President Fox– is also being implemented. That effort is founded on the same principles as IIRSA, but in relation to Meso-American integration.

Turning specifically to environmental issues, I should like to stress the importance of the Latin American Carbon Programme (PLAC), which the Corporation established with contributions that are currently in the neighbourhood of US\$ 2 million. The Programme has helped us to raise awareness concerning greenhouse gas emissions and to seize the opportunities afforded by the carbon market. Thus far we have identified five projects which, in fact, are generating carbon offset certificates in order to participate in the market where such certificates are beginning to be traded.

Another promising programme, for which we signed a partnership agreement yesterday with the secretariat of the Andean Community and UNCTAD, concerns biotrade in the Andean subregion. Its purpose is to strengthen the biodiversity strategy and to foster the creation of appropriate markets, which could potentially be used to fund specific initiatives by small and medium-sized businesses. Since biodiversity is an essential component of wealth throughout the region, mechanisms should be designed in order to encourage investment and trade in biodiversity products and services. In addition, ADC is carrying out a number of other programmes which I will not mention here, in view of time constraints.

In conclusion, I believe it is very important to discuss this comprehensive approach to sustainable development, which is founded on

our recognition of the need to balance various aspects of development. Institutions, Governments, the private sector and civil society must understand that they share responsibility in this regard. Only by accepting that responsibility can they bridge the gaps which separate our region from the industrialized countries.

Statements

- Gro Brundtland
- Yolanda Kakabadse
- Xóchitl Gálvez Ruiz
- Cecilia López
- Juan Carlos Maqueda

GRO BRUNDTLAND

Director-General of the World Health Organization¹

Y agree with you that perhaps it was a good idea for me to come dressed in pink today in order to illustrate the differences.

Now, I was thinking back to the analysis that we made of our common future, as you mentioned, Mr. President. It was clear to us that people are at the centre of sustainable development. We need to take care of the environment because of the obvious consequences for people today and in the future; as the President of Mexico just said to us, democracy is fundamental. Without participation, without engagement, without reaching all, we cannot ever have sustainable development. There is no way to reach the Millennium Development Goals without a new alliance and commitment between developed and developing nations. That was another point you made in your statement today. Certainly, I want to emphasize that, whether nationally or internationally, elected leaders carry the greatest responsibility to mobilize and secure the necessary financing and the necessary regulatory framework. Why? We are challenging each other and, as others have said here, public opinion is necessary to support leaders that are able to deliver on this kind of responsibility.

So, as you said, President Fox, leaders need to promote and establish productive and social conduct that is respectful of the environment.

¹ Gro Brundtland was the Chairperson of the World Commission on Environment and Development of the United Nations. The Commission prepared the report entitled *Our Common Future*, in which the term “sustainable development” was coined. Ms. Brundtland is now serving as the Director-General of the World Health Organization.

Countries, democracies, have to be able to establish this. It is on that basis, and with shared goals, that we have a great potential for partnerships among civil society and the public and private sectors; but only then can this work. The potential will be enormous and it will be necessary, given the gaps that our latest speaker mentioned in his statement.

In Monterrey, progress was achieved on several fronts, and increased commitment from rich countries in fact came forward. This was not enormous, but steps were taken in the right direction. So for me, 2002 has a plus sign beside it in my mind. This is partly because of Monterrey, because in fact the European Union and the United States both took a huge stride forward with regard to moving ahead a little on commitments for providing financing for development. Now, here in Johannesburg, and in Monterrey, I have been focusing on the importance of people and of investing in health, because people need health and education more than anything else, and it is also absolutely essential for democracy to prevail. Taken together, unsafe environments, ill health and under-performing public services make for a deadly combination, undermining livelihoods, social structures, political stability and the prospects for a sustainable future. Let me therefore say that disease is a drain on economies. This is what we heard when the Commission on Macroeconomics and Health summed up the analysis, led by Jeffrey Sachs. It had an influence on the debates in Monterrey, where many leaders of government and finance ministers became much more aware of the people factor, of the health factor, and their influence on future sustainable development.

Now we see that there has been improvement in the text that has been negotiated. The portion on sanitation has been accepted in a reasonable fashion and, to me, this adds a plus sign to Monterrey; it is a positive development of this last year, and it underpins the debate on international trade policies and access to medicines.

I think there is an increasing awareness and now, here, we challenge each other to make things happen. This means government stewardship of alliances for action that involve public, voluntary and private-sector partners. The United Nations system and our development organizations will support new ways of working. In the health field –which I know best– we have new mechanisms, a global alliance for the provision of vaccines and immunizations that brings together foundations and the private and public sectors. The same is true of the global fund to fight AIDS, tuberculosis and malaria. Right now, these initiatives are working with comparatively small amounts of money, and I say that without any shame. A few billion dollars

a year is much less than what is needed, even to bring people up to a reasonable minimum level of health –“people” meaning all people, whether Africans or Latin Americans or of whatever other origin.

So, I just want to say that it is possible, and there are certain small positive signs even as we come together here. I think about the comment made by one of the panellists that, indeed, what we require in order to really take care of the people factor are small investments compared to investments in defence. Investment in defence increases even while economies are failing and while basic investments in people themselves are not being taken seriously.

YOLANDA KAKABADSE

President of the World Conservation Union

I have two very specific points to make. First, I should like to stress the importance of the statement made by President Fox this morning, in which he endorsed the content of the Earth Charter as a basic code of ethics for the achievement of sustainable development. I think that the concept of having such a code of ethics needs to gain wider acceptance. The second point concerns the need to work together. Without wishing to seem arrogant, I think that I have a great advantage in heading an institution, the World Conservation Union, that consists of States, government institutions and non-governmental organizations, since today this is not a luxury but a necessity. Unless all three sectors work together, sustainable development goals cannot be met. However, with the clear rules imposed by Governments, the managerial capacity of non-governmental organizations and the strength of the private sector, many of these goals can be achieved, albeit without ignoring the need for transparency and accountability.

XÓCHITL GÁLVEZ RUIZ

Head of the Representation Office for the Development of Indigenous Peoples, Office of the President of Mexico

I truly appreciate the statement made this morning by President Fox, in which he recognized the traditional knowledge and intellectual property rights of our indigenous peoples. For many years these peoples have offered humanity their cultural wealth and knowledge of traditional medicines. Our peoples would not be living in poverty and exclusion if their knowledge were recognized by large transnational corporations.

I also welcome the President's remarks on protecting the human rights of women. It is well known that these rights are sometimes violated in indigenous communities, and indigenous women are working very hard in Mexico and Latin America to prevent this. At one time I myself barely avoided being sold in exchange for two cows. Fortunately, I resisted, and now I am able to be here at this Summit, but many women today in Latin America and in other parts of the world cannot say the same. We must therefore continue to strive to protect human rights, especially among these peoples, who are closely linked to the issue of diversity –after all, the Seri people of the Mexican desert and the Mixe people of the mountains of Oaxaca are the products of nature's own diversity. Unquestionably, protecting biodiversity means protecting indigenous peoples so that they may preserve their culture and pursue their development.

CECILIA LÓPEZ

**Former Minister of the Environment and former Minister of Agriculture
of the Republic of Colombia**

In my view, the fact that Latin America has lost half a decade provides a glimmer of hope that the region may be able to develop a new form of capitalism based, as Enrique V. Iglesias and Enrique García mentioned, on an internal effort to provide a growing supply of environmental services that will reinvigorate Latin America. The business of supplying these environmental services must be governed by economic democracy –that is, it must be carried out in a way that respects everyone’s right to have access to sufficient income and work. This, I repeat, gives me a glimmer of hope.

As for my concerns, I feel that the concept of environmental services is still a hazy one that requires more work. Secondly, I am concerned that this new growth opportunity for Latin America will remain in the hands of a select few, considering the distribution of power in the region. I think that multilateral agencies should work with States to bring this new form of Latin American capitalism into being.

JUAN CARLOS MAQUEDA

**Vice President of the Argentine Republic,¹
President a.i. of the Senate**

I had a number of ideas I wanted to express here. In view of the time, however, I will simply mention five questions I had wondered about and to which I think I have found the answers –albeit subjective ones, as the answers to such questions always are.

The first question may have been answered already by a man who is a friend to all of Latin America, Enrique V. Iglesias: does “sustainable development” mean the same thing to everyone? I don’t think so. Second, do “globalization” and “internationalization” mean the same thing to everyone? Again, I don’t think so. Third, does the concept of living up to the international treaties, agreements and conventions we have all signed really mean the same thing to everyone? I think not. Fourth, do we all suffer from poverty to the same extent, and is our concept of poverty the same as that of other Governments in the world? I think not. And fifth, will the concept of financing and investment for sustainable development in Latin America, and the Monterrey Consensus, mean the same thing to everyone?

I must admit I am afraid we have a kind of schizophrenia –we say one thing and then, when we leave this event, we come up against a totally different reality. I may be influenced by the troubles my country is going through right now, but our discussions of sustainable development –as in the name of this Summit– are completely different from what the

¹ Mr. Juan Carlos Maqueda participated on behalf of the President of Argentina. He is a Senator of the Province of Córdoba.

International Monetary Fund means when it tells me I need a “sustainable plan”. In this forum, I talk about combining economic impacts with social development impacts and with problems such as poverty and issues such as natural resources. When I go to multilateral lending institutions, a “sustainable plan” means cutting back spending in areas such as poverty alleviation and natural resources conservation. This really has very little to do with what we are discussing here.

Lastly, of all the proposals I have heard at this meeting, one of them, by the former President of Costa Rica, made a strong impression on me: cutting back military spending to try to alleviate poverty and improve the quality of life and the environment throughout the world. I also welcome the fact that the Plan of Implementation includes a world solidarity fund to eradicate poverty, which will be set up by the United Nations and managed by UNDP. I will end my brief statement by saying I sincerely hope we will see more initiatives of this type, so that we can come out of this Summit with the hope that the results, in 10 years’ time, will be much greater than those achieved in the 10 years that passed between the Rio and Johannesburg Summits.

Closing remarks

- Vicente Fox
- José Antonio Ocampo

The President of Mexico thanked the participants and expressed the belief that the ideas put forward at the meeting were extremely valuable inputs.

The Executive Secretary of the Economic Commission for Latin America and the Caribbean thanked the Government of Mexico, and President Fox in particular, on behalf of ECLAC, UNDP and the Andean Development Corporation for making the event possible. The discussion had been very enriching, thanks to the ideas put forward on the two central issues of the Monterrey and Johannesburg summits. He also thanked the panellists, President Noboa, former President Figueres and IDB President Enrique Iglesias. Lastly, in addition to thanking the many Vice Presidents, Ministers and heads of United Nations bodies who had attended the event, expressed his gratitude to Mr. Victor Lichtinger, Secretary of the Environment and Natural Resources of Mexico, as well as to the Under-Secretary for Foreign Affairs of Mexico, Ms. Patricia Olamendi, and her compatriot, the Director of the ECLAC Sustainable Development and Human Settlements Division, Ms. Alicia Bárcena, whose energy and organizational talents had made the event possible.