



UNITED NATIONS



THIRTIETH SESSION OF ECLAC
SAN JUAN, PUERTO RICO, 28 JUNE – 2 JULY 2004

Distr.
GENERAL

LC/G.2252(SES.30/17)/Rev.1
28 June 2004

ENGLISH
ORIGINAL: SPANISH



MONITORING SUSTAINABLE DEVELOPMENT IN LATIN AMERICA AND THE CARIBBEAN: NEEDS AND A PROPOSAL

1. Introduction

Twelve years after they enthusiastically accepted the commitments undertaken at the Earth Summit (United Nations Conference on Environment and Development, Rio de Janeiro, Brazil, June 1992) and almost two years after the Johannesburg Summit (World Summit on Sustainable Development, Johannesburg, South Africa, July-August 2002), the Latin American and Caribbean countries still face the challenge of promoting innovative solutions and integrated policies which, based on the concept of sustainable development, will make it possible to generate new opportunities for economic and social well-being while at the same time promoting productive development and ensuring its sustainability.

While there has traditionally been little awareness in the region of the environmental aspects of development, these considerations are now gradually permeating the public sphere, including business, organized civil society and academic and political circles. This has laid the foundation for active participation in the new global vision of sustainable development and in the international legal framework, whose orientation has evolved from an “environmental” to a “sustainable development” approach, thanks to the new generation of global conventions on issues such as biological diversity and climate change. Many regional forums have led to the identification of opportunities for exploiting the synergies between sustainable development objectives and the general objectives of economic growth and poverty reduction. These opportunities include the creation of new markets, the emergence of new economic sectors, rapid technological change and the dissemination of new production and service technologies, as well as the potential of these new developments to generate employment and capitalize on the region’s comparative advantages in ways never before thought possible. Despite the numerous innovation prospects opened up by this agenda, the principles of environmental protection and sustainable development are still regarded in many Latin American and Caribbean sectors as a hindrance to economic and social development. This has limited the public sector’s capacity to generate policy responses that would enable the countries to reap the benefits inherent in the sustainable development agenda.

One of the most significant problems has been the difficulty of integrating and coordinating the full range of public policies implemented by different sectors and levels of government, making these policies more coherent and ensuring that they reflect a long-term vision. In general, the region is clearly underusing the coordination capacity available in the public sphere, particularly in relation to cross-sectoral objectives that ideally should be pursued through the formulation, design and implementation of integrated policies. Most of the explicit environmental policies currently in force in the region, as well as direct and indirect regulatory instruments, are reactive rather than strategic. Furthermore, as environmental institutions lack comprehensive support from other government functions, it is still hard for them to play a leadership role in relation to effective cross-sectoral and subregional policies and in backing up the Governments’ negotiating position in the international debate, with a view to seizing new opportunities for the region’s countries.

This document touches upon certain considerations that may help to consolidate the region’s response to the challenges ahead and to increase the possibility of opening up a regional dialogue on sustainable development. To meet this objective, countries must have a combination of clear policy orientations, achievements in terms of enhancing the sustainability of development, means of measuring progress and policies and instruments that include management objectives. The document therefore consists of three parts dealing, respectively, with the follow-up of international mandates, the problem of

measuring the sustainability of development and opportunities for policy integration. These are the issues that will be addressed at the meeting on sustainable development to be held during the thirtieth session of ECLAC, for which this document was prepared.

2. Follow-up to the global sustainable development agenda and its importance for the region

Over the past few decades, the international discourse in this area has undergone an interesting evolution from the simple expression of concerns about emerging issues to the more recent emphasis on the definition of sectoral and temporal goals to gauge the countries' progress towards sustainability. The Commission on Sustainable Development is the leading international body in this area. At its eleventh session (April 2003), that Commission decided to follow up on the Plan of Implementation of the World Summit on Sustainable Development on the basis of two-year cycles focusing on specific thematic clusters and their interrelationships. Each cycle consists of a review year followed by a policy year. The thematic cluster for the current cycle (2004-2005) is water, sanitation and human settlements. The 2006-2007 cycle will follow up on the implementation of commitments with regard to energy, industrial development, air pollution/atmosphere and climate change.

2004-2005 cycle: Water, sanitation and human settlements

At its twelfth session (14-30 April 2004), the Commission on Sustainable Development reviewed the progress made in implementing Agenda 21 and the Johannesburg Plan of Implementation, as well as obstacles and constraints in this respect.¹ The countries of Latin America and the Caribbean had the opportunity to exchange views and local and national experiences at a meeting devoted entirely to the region. The regional profile in relation to the three themes under review revealed that 38 million families lacked adequate housing, 128 million people (out of a total population of 520 million) lived in slums, 80 million lacked access to drinking water and 120 million did not have sanitation. Most of the people in these situations were poor and lived in rural areas. Some 86% of the region's wastewater was left untreated, most solid waste was not properly disposed of and the countries had no well-defined procedures in relation to hazardous waste and persistent organic pollutants. The participants emphasized that progress towards the goals relating to water, sanitation and human settlements was closely connected with the ability to attain the Millennium Development Goal for poverty eradication.

For the second year of the cycle (policy year), which will culminate in the thirteenth session of the Commission on Sustainable Development (second quarter of 2005), the countries of the region have the basic task of identifying and implementing the measures needed to overcome the obstacles and challenges of achieving sustainable development, taking advantage of the lessons learned, which include:

- (i) *Human settlements.* The traditional construction of social housing is only a partial response to the growing demand for a better habitat. More proactive policies are needed in relation to slums, focusing on improvement rather than eradication. Urban land markets must be regulated to prevent speculation, and the existing fragmentation in the region's human settlements must be redressed through policies of inclusion.
- (ii) *Sanitation.* The inadequate management of solid and hazardous wastes and persistent organic pollutants continues to pose health and environmental threats in the region that

¹ The deliberations and outcomes of the Commission's twelfth session are described in the Chairman's summary (<http://www.un.org/esa/sustdev/csd/csd12/csd12.htm>).

require urgent attention. The failure to solve this problem is less a matter of technical limitations than of insufficient political will. In the absence of sound national policies, decentralization is not an adequate response.

- (iii) *Water.* Sound regulatory frameworks should be put in place (regulation by law, reasonable profitability, independent regulatory agencies) to promote efficiency in the delivery of water services. What is needed is not radical decentralization, but balanced systems that make maximum use of economies of scale. The fact that systems of protection for foreign investment make domestic matters subject to external jurisdiction is an issue that has not yet been sufficiently evaluated.

With regard to the region's experiences, public policies to promote sustainable development in the three areas under review have not been effective owing to an absence of integrated approaches. Institutions are weak, and lack both sufficient resources and policies that are sustainable over time. The limited availability of financial resources continues to be a problem in the region, and it is clear that self-financing is not a viable option for the poor and that technical decisions should not be politicized, but should be subject to social control.

As a means of building technical and institutional capacity in the region, the countries participating in the meeting on Latin America and the Caribbean proposed that ECLAC, in the framework of the regional preparatory process for the thirteenth session of the Commission on Sustainable Development, should conduct a region-wide assessment of technical training needs at the local, national and regional levels. Such an analysis would help international and bilateral agencies to integrate and coordinate their initiatives in that area.

2006-2007 cycle: Energy for sustainable development, industrial development, air pollution/atmosphere and climate change

In some areas, such as renewable energy, the countries of the region have already undertaken certain initiatives. The Regional Conference for Latin America and the Caribbean on Renewable Energies (Brasilia, October 2003) was one of the first efforts made towards meeting the goal agreed upon in the Latin American and Caribbean Initiative for Sustainable Development, which had been adopted at the First Special Meeting of the Forum of Ministers of the Environment of Latin America and the Caribbean, held in Johannesburg, South Africa, on 31 August 2002. The Brasilia Platform on Renewable Energies, which was adopted at the Regional Conference, includes among its principal aims that of "ensuring that by the year 2010 the use of renewable energy by the region, taken as a whole, amounts to at least 10% of its total energy consumption". As mandated by the countries, ECLAC prepared a document entitled *Renewable energy sources in Latin America and the Caribbean: situation and policy proposals*,² which was presented at the International Conference on Renewable Energies (Bonn, Germany, June 2004). The document covers the issue of measuring the share of renewable energies out of the region's total energy supply, and includes an analysis of the technical, economic, financial, institutional and social barriers that limit the expansion of these sources, as well as policy proposals for promoting renewable energies.

The countries and subregions of Latin America and the Caribbean exhibit very diverse situations with regard to dependence on fossil fuels, use of fuelwood, the share of other renewable sources and relevant regulatory and institutional frameworks. Renewable sources account for 25.7% of the region's total

² LC/L.2132-P (May 2004).

energy supply. These sources consist primarily of hydroenergy (15%), fuelwood (5.8%) and cane products (4.1%). Other renewable sources (geothermal, wind and solar energy) account for a marginal share.

Increasing the use of renewable energies opens up interesting opportunities for the countries of the region. On the one hand, they can reduce dependence on fossil fuels and the negative environmental impacts (local and global pollution) associated with their use; on the other, there is still ample room for applying policies to develop this sector in conjunction with local investments in production and access to new technologies.³ The new European Directive on Emissions Trading (known as “Eurokyoto”) offers the opportunity to join a global system of emissions trading and gain access to international financing.

The Caribbean countries and the 10-year review of the Programme of Action for the Sustainable Development of Small Island Developing States (“Barbados+10”)

The Global Conference on the Sustainable Development of Small Island Developing States, held in Bridgetown, Barbados, from 25 April to 6 May 1994, was a response to the differentiated treatment granted by the international community to these States owing to the particular characteristics that make them economically, socially and environmentally vulnerable. These characteristics include: (i) their difficulties in capturing the benefits of economies of scale and their limited production possibilities; (ii) their economic dependence, both on imports and on the earnings generated by a small number of exports (mainly agricultural products and tourism services); (iii) their geographical isolation and dispersion, which entail high transport costs; (iv) their high degree of economic openness, which makes them especially susceptible to economic conditions in the rest of the world; (v) their limited storage and assimilation capacities as a result of their small land area, which give rise to problems with waste management and water storage; (vi) their fragile ecosystems, which include endangered endemic species of flora and fauna; (vii) their frequent exposure to extreme natural phenomena such as volcanic eruptions, hurricanes, tropical storms and tidal waves; and (viii) their sensitivity to the potential consequences of global warming.

In January 2005 a meeting will be held in Mauritius to review the progress made in implementing the Barbados Programme of Action. In 2003 ECLAC carried out such a review for the Caribbean subregion.⁴ According to that study, the results achieved thus far in the implementation of the Programme of Action are far from meeting the objectives agreed upon in 1994.

At the meeting on sustainable development to be held during the forthcoming ECLAC session, Governments will make presentations on experiences that reflect the region’s efforts in relation to issues such as health and the environment, renewable energies and the Latin American and Caribbean Initiative for Sustainable Development.

3. Progress towards sustainability in the region

The measurement of progress towards sustainable development presents unsolved problems for both the individual countries and Latin America and the Caribbean as a whole. The region attempted, and then nearly abandoned, an initiative to integrate economic and environmental accounts, which is an important

³ The promotion of biofuels in Brazil is one example of an activity that seeks to address economic, social and environmental objectives simultaneously.

⁴ ECLAC (2003), *Review of the Implementation of the Programme of Action for the Sustainable Development of Small Island Developing States (SIDS POA) in the Caribbean Subregion 1994-2003/4* (LC/CAR/G.749), Port of Spain, ECLAC subregional headquarters for the Caribbean.

integration tool but is now used only in one or two countries. Moreover, figures on the environmental impact of development show persistent negative trends in the region's most significant environmental problems (land and forest degradation; deforestation; loss of natural habitats and of biodiversity; freshwater, coastal and air pollution; access to drinking water and sanitation services; urban air and water pollution; and the vulnerability of populations and economies to natural disasters). Between 1990 and 2000 some 4.4 million hectares of woodlands (or 0.4% of the total wooded land area) were lost each year, mainly through permanent conversion to small-scale agriculture. The availability of agricultural land per person continues to diminish. The economy's energy intensity (energy consumption in relation to GDP) has fallen slightly in Central America but increased in South America, while emissions of carbon dioxide (one of the main greenhouse gases) per unit of GDP have shown an overall tendency to rise in the last decade.

Trends in the social and economic aspects of sustainable development are not much more encouraging: poverty and inequality are not declining and the region's economies are highly vulnerable to external fluctuations.

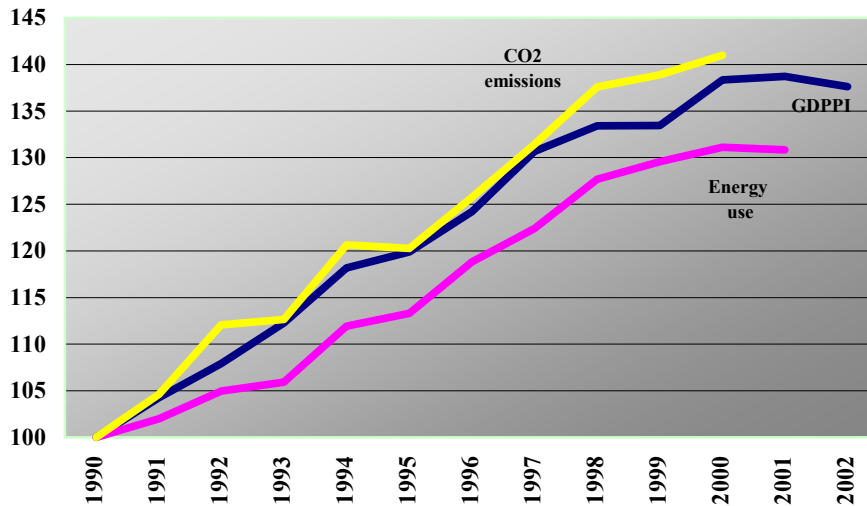
One of the concepts associated with sustainable development is the uncoupling of economic growth from the consumption of natural resources and/or the emission of pollutants. Among other things, this involves increasing the production of satisfactors and enhancing the quality of life while scaling back the use of resources and the release of pollutants into the environment. The figures below show some examples of how the region's economic performance has been coupled with the use of energy resources and the emission of pollutants. This contrasts with the ideal path of sustainable development, in which GDP growth and growth in resource use and emissions move in opposite directions. In the region, carbon dioxide emissions have increased faster than GDP and the use of pesticides has increased faster than agricultural output.

The seventh Millennium Development Goal, on the need to ensure environmental sustainability, is fully compatible with the concept of uncoupling and includes two targets that also pose challenges for human settlements policies: target 10 is to halve the proportion of people without sustainable access to drinking water and basic sanitation, and target 11 is to have achieved, by 2020, a significant improvement in the lives of at least 100 million slum dwellers. At the International Conference on Financing for Development (Monterrey, Mexico, March 2002) and the World Summit on Sustainable Development, the importance of making progress in this direction was reaffirmed.

In order to clarify the concept of urban vulnerability, attempts have been made to clarify its scope and dimensions and to set out operational criteria for its measurement in different cities, countries or regions. In most countries, however, there is limited information available for measuring dimensions that do not show up in censuses or household surveys, so that, in practice, the analysis of the vulnerability of the urban habitat has concentrated on four basic areas of deficiency: housing tenure, access to drinking water, access to sanitation and quality of housing.

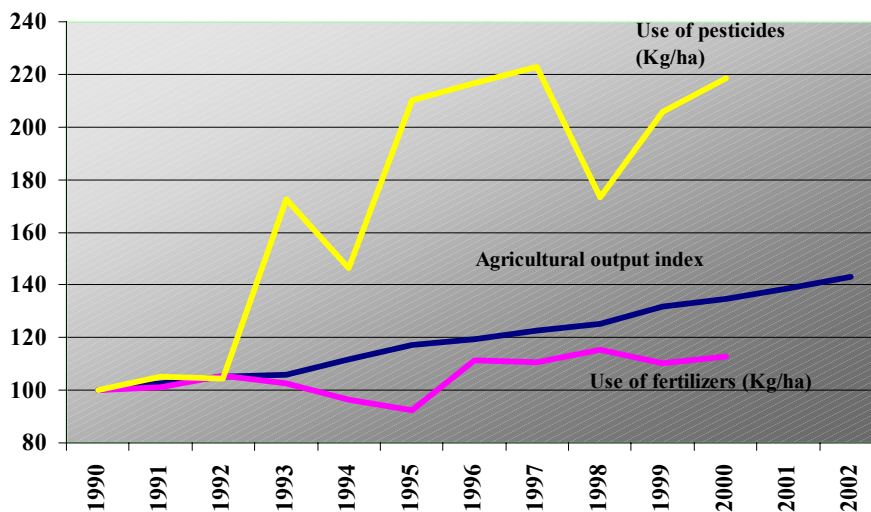
ECLAC carried out an analysis of poverty and vulnerability in urban areas, based on a special processing of data from household surveys conducted in the early and late 1990s. Material is also available for measuring the precariousness of housing at the household level according to the number of unmet housing needs. It was found that informal housing tended to coincide with informal employment (measured according to the employment of the head of household), regardless of whether the households concerned were indigent, poor or non-poor, and whether they were in large or small cities.

Figure 1
GDP, ENERGY USE AND CO₂ EMISSIONS
IN LATIN AMERICA AND THE CARIBBEAN
(1990=100)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from World Bank, *World Development Indicators*, Washington, D.C., various years.

Figure 2
AGRICULTURAL OUTPUT INDEX, USE OF FERTILIZERS
AND USE OF PESTICIDES IN LATIN AMERICA AND THE CARIBBEAN
(1990=100)



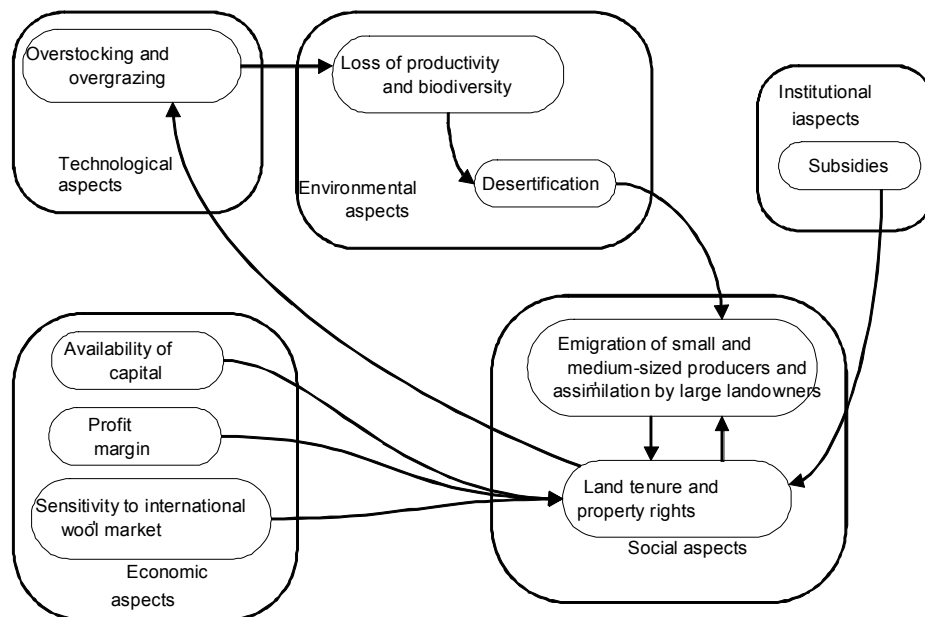
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from *Earth Trends: The Environmental Information Portal*, World Resources Institute (WRI) [online] (<http://earthtrends.wri.org/>).

A new methodology was used to study trends in municipal/urban poverty in three countries with different levels of urban poverty (Costa Rica, Ecuador and Mexico), based on the 1990 and 2000 census rounds. In this study, municipalities were classified according to urban poverty and the dynamics of its absorption in the course of the decade, in order to investigate the characteristics of those municipalities which had started out with high poverty levels, but had reduced them significantly. The causes of changes in municipal poverty were studied as well.⁵

4. Integration of public policies for sustainability

It is widely recognized that one of the main obstacles to the transition to sustainable development in the Latin American and Caribbean countries is the fact that legislation and institutional mandates are generally fragmented and that economic, social and environmental policies are usually not coordinated, since many of the processes that lead to unsustainability have multiple causes. For example, studies on some of the region's sheep-raising areas (see figure 3) illustrate the existence of mechanisms in which a combination of institutional, social, economic, technological and environmental factors lead to desertification, expulsion of small and medium-sized producers and increased vulnerability to fluctuations in international markets and climate change. This results in veritable "syndromes" characterized by different symptoms of unsustainability.

Figure 3
**EXAMPLE OF CAUSAL MECHANISMS LEADING TO UNSUSTAINABILITY:
THE CASE OF SHEEP-RAISING**



⁵ More recently, regulations on land use and its regularization have been studied.

Figure 3 is based on an analysis of a case study (which, however, is representative of other situations in the region) and shows the main causal links that come into play. Clearly, these processes cannot be mitigated or corrected without a comprehensive policy that takes account of the need to work simultaneously on various links in the chains of cause and effect.

Strengthening mechanisms for the integration, coherence and coordination of all public policies and levels of government involved in achieving sustainable development goals is another outstanding challenge. Sectoral objectives are often inconsistent and reflect either political commitments that conflict with current guidelines or a lack of communication, dialogue and coordination of activities between governmental organizations and authorities responsible for implementing public policies. Sectoral policies are formulated and designed independently and then implemented through technical actions that might seem ideal from a sectoral perspective, but may also generate unforeseen side effects and inconsistent incentives. In this area, it is vital to improve the identification of possible coordination gaps and their costs in terms of reducing the effectiveness of public intervention in achieving long-term cross-sectoral goals.

The success and the results of policies for achieving sustainable development goals largely depend on the level of development and quality of the institutional and organizational infrastructure and on the machinery that enables the public-sector apparatus to act as a harmonious whole in the medium and long terms. Below is a description of opportunities for improving integration in three public policy areas of vital importance for achieving sustainable development goals.

(a) Integration of urban and territorial development policies

Integrating environmental policies with sectoral and territorial policies is an arduous process. Thus far, little progress has been made in incorporating the concept of the sustainable use and conservation of natural resources in production and service sectors, including urban development and housing. Subnational governments, especially municipalities, have increased their responsibilities in key areas linked to human settlements. This gives them great potential to carry out decentralized initiatives from the perspective of sustainability.

The region's experience in managing the many dimensions (economic, social and environmental) of urban development is broad in terms of actors, instruments and scale. Formal and informal networks of specialists and practitioners (such as urban planners, local development agents, social leaders and environmental technicians) have grown in the region. Although systematized information (such as statistics and information from experiences, programmes and policies) is still insufficient, it represents another asset which, in conjunction with networks and best practices, must be used to supplement and strengthen exchanges, learning and debate between countries and cities on the sustainable development of human settlements.

In the urban environment, the convergence of constraints on economic efficiency (financing issues) and social equity (liveability, capital investment, employment), combined with the need to internalize costs related to the environment (management and governance) and to improve urban functionality in terms of regional integration and tensions arising from globalization, poses major challenges to urban managers at the regional, national, subnational and local levels.

In attempts to integrate environmental sustainability (internalization of externalities) with social sustainability (well-being) and economic sustainability (efficient use of resources, availability of investment resources, stability of international markets), it must be acknowledged that time frames and reference points for decision-making are very different in the three spheres.

In the case of the environment, the time frame is the medium or long term; this makes it hard for political decision-makers to take environmental variables into account. In the social sphere, the reference period is somewhat more immediate owing to the social pressure to redress current shortcomings promptly. However, even social policies usually fail to reflect a perspective of medium- or long-term investment in human capital. In the economic sphere, decisions are generally short-term or possibly medium-term (development policies), but do not normally address the need for resources to correct existing urban development lags, prevent future ones or take qualitative leaps.

Decisions taken today on the basis of short-term crises and fluctuations in the area of infrastructure and urban organization will have consequences in the medium term: they may result in more serious lags in the future, social problems and higher levels of urban and social vulnerability, among other externalities. The countries therefore need urban policies that are forward-looking in terms of sustainable development so that they can analyse options, predict scenarios and assess implications.

(b) Integration of fiscal and environmental policies

One way to improve integration and coherence between environmental policy and all the economic and sectoral policies that make up the public-sector apparatus is to make the most of synergies and coordination between fiscal and environmental policy, with particular emphasis on fiscal and budgetary matters that affect environmental policy objectives and national sustainable development goals.

The discussions held at recent forums of fiscal and environmental authorities in the region confirm that there are various areas of overlap and opportunities for improving integration between the fiscal and environmental agendas, including:⁶

(i) Financing of national environmental management systems

The explosive development of institutions in Latin America and the Caribbean in the early 1990s, with the creation of new environment ministries or national ministerial commissions with ambitious mandates conferred by general laws on the environment, was not followed up in the remainder of the decade by the transfer of the financial and technical resources needed to build national environmental management systems capable of fulfilling their challenging missions. The countries rarely gave these new institutions the financial capacity they needed to create suitable national environmental management systems. Most of the countries have yet to develop an appropriate legal and institutional platform for operational collaboration between fiscal and environmental authorities to meet the challenges of financing such systems.

⁶ First and second Regional Workshops on Fiscal Policy and the Environment, organized by ECLAC in conjunction with OECD and IMF on 30 January 2003 and 27 January 2004, respectively, in the framework of the Commission's annual Regional Seminar on Fiscal Policy.

(ii) *Specific allocations and possible self-financing for national environmental management*

Several countries report that taxpayers are more willing to accept the imposition of local environmental taxes, charges or duties when the income thus generated is specifically allocated to the provision of an environmental service or programme that they support. Environmental management problems are closely linked to specific geographical areas and political communities (river basins, polluted cities or industrial zones, wildlife areas, etc.). Thus the specific allocation of resources from environmental taxes is often a successful policy option, even though such allocation is usually avoided in public finances.

(iii) *Environmental fiscal reform and environmental taxes*

At the international level, environmental taxes are playing an increasingly important role as an integral part of fiscal reform plans in developed countries. The collection of environmental taxes in countries of the Organisation for Economic Co-operation and Development (OECD) represented 2.5% of GDP in 1995, or almost 7% of those countries' total tax receipts.⁷ Most of these taxes affect the specific segment of the tax base relating to the transport and energy sectors, but the imposition of taxes on the management of waste and effluents is becoming increasingly common. The Latin American and Caribbean countries need to mobilize an increasing amount of domestic resources to finance their sustainable development goals. The relevant changes in the fiscal regime will necessarily play an important role in the years to come and will pose new integration and coordination challenges to environmental and fiscal authorities.

(iv) *Identification of policy distortions and flaws hampering the achievement of national sustainable development goals*

Most of the Latin American and Caribbean countries have yet to carry out a detailed review of policy distortions and flaws in relation to subsidies, waivers, tax exemptions, public guarantees for contingent liabilities and other measures that could be classified as incentives that run counter to national sustainable development goals. Tax competition between countries or between provinces in a federal system to attract investment and projects by granting tax exemptions in natural resource sectors (mining and forestry, among others) and activities with known environmental impact is another obvious policy flaw in Latin America and the Caribbean. Identifying and analysing the social cost of these distortions can reveal numerous opportunities for improvement in both environmental management and fiscal matters.

(v) *Inter-agency coordination for comprehensive natural resources management*

By nature, comprehensive natural resources management must cover territorial units that include all the spaces physically connected by river basins and ecosystems. These spaces form integrated units for the design and implementation of integrated resource management solutions, but rarely correspond to existing legal/institutional entities or platforms. In the region, only a few countries that already have river-basin authorities with tax collection powers are in a position to implement clean-up programmes based on instruments targeting the effluents poured into each river basin (such as charges and duties according to water volume and concentration of pollutants). The vast majority of countries do not have the coordination machinery and structures needed to effectively implement comprehensive resource

⁷ Organisation for Economic Co-operation and Development (OECD) (1999), *Economic Instruments for Pollution Control and Natural Resources Management in OECD Countries: A Survey* (ENV/EPOC/GEEI(98)35/REV.1/FINAL), Paris, October, p. 5.

management strategies tailored to biophysical areas defined by their ecological or geographical features. This area represents another opportunity to innovate and develop mechanisms for coordination between environmental and fiscal authorities in the years to come.

(c) Integration between trade policy and sustainable development objectives

Although the institutional discourse of the World Trade Organization (WTO) emphasizes the need for trade to reflect the requirements of sustainable development, in reality trade rules are not designed with this objective in mind. What is more, the role of development strategy in the multilateral trading system has been gradually losing ground to that of liberalization strategy, based on the idea that liberalization alone will inevitably lead to sustainable development.

Accordingly, renewed emphasis should be placed on the desirability and necessity of complementing trade liberalization with a suitable environmental policy supported by a solid institutional structure. It is also essential to formulate and implement interlinked economic, technological and environmental policies to improve the systemic competitiveness of the production and export system. To achieve this, Governments must define their sustainable development priorities, their expectations in terms of foreign direct investment and the mechanisms needed to steer FDI towards those priorities.

It is particularly important to negotiate access to the means of promoting the transformation of production sectors and the export system. In this context, the main opportunities lie in areas such as service negotiations, which offer enormous potential for countries willing to act as vehicles for the transfer of technology (software, energy, environmental services, etc.), and issues related to intellectual property. The countries of the region have devoted a good deal of resources to market access, which is unlikely to change their natural resource-intensive production structures.

(d) Integration between productive development policies and environmental policies

- (i) *Clean production policy:* Brazil, Colombia, Chile and Mexico are among the countries in the region that have made the most progress in implementing clean production policies as a strategy that integrates the environmental variable into business management. However, much remains to be done before such policies can become the linchpin of production solutions that prevent environmental pollution while boosting the competitiveness of production sectors in all the region's countries.
- (ii) *Market for environmental goods and services:*⁸ Latin America and the Caribbean is an expanding market for the environmental goods and services industry, mainly because it lacks environmental infrastructure owing to its population growth rate and high urban density.
- (iii) *Production and trade of certified goods:* The region's high degree of biological diversity could form the basis for the development of products made or obtained in a sustainable or environmentally friendly way.

There are many opportunities for the countries of the region to improve their current patterns of consumption and production in ways that would benefit both the economy and the environment.

⁸ Defined as production and trade for the prevention or mitigation of pollution.

In this context, it is important to implement a strategy that encourages the creation and development of a new sector of the economy to meet the growing demand for environmental goods and services. Discussions on this subject at a recent seminar⁹ confirmed that this would contribute not only to sustainable development and the well-being of the population, but also to economic growth through the generation of value added, higher income and a major source of employment, all of which would strengthen the interrelationship between environmental policy and economic performance.

(e) Peer reviews of environmental performance

The peer reviews of environmental performance implemented in the countries members of OECD and the United Nations Economic Commission for Europe offer an interesting alternative for enabling the participating States to strengthen their integration, work together towards sustainable development and present their efforts and results in economic and environmental matters to their peoples and the international community in a context of dialogue and transparency.

In these reviews, the countries (peers) analyse the environmental conditions and the actions required to fulfil national environmental objectives and international commitments. Among other things, these exercises make it possible to assess each country's efforts to reduce emissions of pollutants and waste, sustainably manage its natural resources, integrate environmental and socio-economic policies, strengthen cooperation with the international community, harmonize environmental conditions and policies in the peer countries and contribute to sustainable development. Countries may also use these reviews to present initiatives, actions and achievements in order to obtain advantages in their trade negotiations and international economic relations, establish financing needs for international cooperation or share experiences with peers. Lastly, the exercise serves to promote the collection and standardization of environmental statistics.

ECLAC considers that such peer reviews may help countries to address the above-mentioned challenges by contributing to policy integration and reinforcing more environmentally sustainable development and the ties of cooperation between countries of Latin America and the Caribbean. In this context, a review of environmental performance in Chile is currently being carried out in conjunction with OECD. This is in addition to the experience of Mexico, which already participates in such reviews as a member of OECD, and paves the way for extending this initiative to the whole region.

5. Proposal

As mentioned at the beginning of this document, the countries of the region have made little progress in building their capacity to integrate, coordinate and give coherence and a long-term vision to the full range of public policies implemented by different sectors and levels of government. The difficulties that arise in the debate on integrating public policies at the national level are also apparent at the supranational level, as the region lacks specific forums for discussing, analysing and formulating policy proposals on sustainable development. There are numerous intergovernmental sectoral forums in which progress and challenges in relation to policies implemented in the countries are considered at different intervals. The work of these forums usually covers areas that could be integrated with other policies; the results of these initiatives thus far, however, may be considered weak, as they have not produced promising results with regard to policy integration.

⁹ Seminar on the identification of opportunities in the environmental sectors of Latin America and the Caribbean: case studies on Argentina, Chile, Colombia and Mexico, Mexico City, 20-22 May 2004 (ECLAC/GTZ project).

The United Nations regional commissions, including ECLAC, can make a significant contribution to overcoming this deficiency. In fact, these regional intergovernmental bodies of the Secretariat have already begun to integrate the various dimensions of development (economic, social, environmental and institutional) in their work, in compliance with specific recommendations and mandates from both the General Assembly and the global processes which, in the past five years, have tackled various issues relating to the challenges of the globalized world (financing for development, trade and sustainable development, among others). The United Nations regional commissions should promote the balanced integration of the three dimensions of sustainable development into their work and, at the same time, should coordinate the United Nations system's follow-up to existing agreements on this subject at the regional level.¹²

The ECLAC session, which brings together officials in charge of public policy in different areas and sectors (foreign affairs, finance, planning, economy, social issues, environment), offers an opportunity for analysis, discussion and the formulation of proposals from the standpoint of the region and of integrating the social, economic, environmental and institutional dimensions of development.

In this connection, a permanent intergovernmental mechanism should be set up to evaluate and follow up on sustainable development in the region. This mechanism could take the form of a regular meeting on sustainable development within the framework of the Commission's biennial sessions. Its main function would be to foster a debate, from the region's perspective, on the issues selected for consideration in the two-year cycles established by the Commission on Sustainable Development, and to follow up on regional monitoring tools (sustainable development indicators), the relevant Millennium Development Goals and proposals and progress in relation to instruments and policies that combine productive development and sustainable development objectives.

¹² United Nations (2002), "Plan of Implementation of the World Summit on Sustainable Development", *Report of the World Summit on Sustainable Development* (A/CONF.199/20), New York, paras. 158-161; and United Nations (2003), *Commission on Sustainable Development. Report on the eleventh session* (E/2003/29-E/CN.17/2003/6), New York.