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Regional Office for Latin America and the Caribbean**

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A. PREPARATORY MEETING OF EXPERTS
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Economic Instruments and Fiscal Policy

This information package on *"Trade and Environment"* is a contribution of the Inter-Agency Technical Committee (ITC) to the Fourteenth Meeting of the Forum of Ministers of the Environment of Latin America and the Caribbean, to be held in Panama City from the 20th to the 25th November 2003.

The Economic Commission for Latin America and the Caribbean (ECLAC) has coordinated the preparation of this document. It has received inputs from the Governments of Brazil, Cuba, Honduras, Mexico, Saint Lucia and Uruguay, as well as from the World Bank (WB), The Inter-American Development Bank (IADB), the United Nations Environment Programme (UNEP) and the United Nations Development Programme (UNDP).

I. Background

1. One of the thematic lines defined by the Forum of Ministers of the Environment of Latin America and the Caribbean at the Eleventh Meeting held in Lima, Peru (1998) is "Supporting Environmental Management ". In this document, the Forum requested the support of the agencies to strengthen the modernization of environmental management; the latter has been based on the design and application of economic instruments derived from experiences in the region and an exchange of experiences among countries.

2. Economic instruments contained in environmental policies are to be used as tools that will have an effect on economic agents, based on market signals. There is a broad array of economic instruments that can be applied to the objectives of environmental policy (tariffs for pollution, the creation of negotiable market permits, payment for environmental services, etc.). These are systems that operate at the decentralized level, and apply the logic of economics to find solutions to environmental problems.

3. Whether in substitution of command and control instruments, or to be used jointly with these, economic instruments comprise features that can be used to improve environmental performance, to internalize environmental damage and benefits (application of the polluter pays principle; payment for environmental services) and to attain objectives of an environmental nature at a lower cost.

4. On the other hand, and bearing in mind the limitations of financial resources that the environmental authorities of the countries face, there are economic instruments that can both correct environmental problems and generate income to be designated to the selfsame environmental area. Some of the implementation mechanisms provided for in many Multilateral Environmental Agreements (such as the Mechanism for Clean Development in the Kyoto Protocol) are founded on economic instruments.

5. Despite the foregoing characteristics, and the potential –in theory– for use as environmental policy instruments, the level of implementation of economic instruments in this field has been low in the region, which we will discuss in detail later in this document. This is why the activities of the Interagency Technical Committee (ITC) working in this area have focused on:

- a) Evaluating the lessons learned for cases where economic instruments have been applied in the countries of the region, identifying: i) factors that are present in cases of successful application of economic instruments in the region and strategies or circumstances that have been determining factors to attain this result within the framework of environmental management; ii) barriers confronted in the implementation of economic instruments for environmental management, due to the legal-institutional and economic environment that exists in the countries of the region, and
- b) Developing practical recommendations to be used by governments in the future design and successful application of said instruments to support environmental management policies –based on evaluations of local circumstances under which these instruments are to operate– and identifying possible implementation strategies that environmental authorities of the region could follow to overcome barriers and exploit the potential advantages of these instruments for environmental management.

6. The promotion of economic instruments to support environmental management has been incorporated by several forums and global agreements, among which the following stand out:

A. Latin American and Caribbean Initiative for Sustainable Development (LAC)

7. The LAC Initiative for Sustainable Development clearly expresses in the Operational Guidelines for the Initiative the need to create or strengthen economic, tax and fiscal instruments for the promotion of sustainable development.

8. In the Action Priorities, reference is made to establishing a system of economic incentives for productive and industrial processing projects that will save natural resources and energy and eventually reduce the amount of effluents discharged into water, land and air.

B. Millennium Goals

9. In the Report of the Secretary General of the United Nations that supports the agreement launched at the General Assembly there are direct references to the use of economic instruments as tools to reduce greenhouse gas emissions (chart 9). Moreover, in Target 7, Ensure Environmental Sustainability, economic instruments could play a very important role as environmental policy instruments to attain the proposed goals.

C. International Environmental Conventions

10. Economic incentives, in addition to their use in the Kyoto Protocol, have the potential to support the objectives of other environmental conventions. To this end, UNEP has a group of experts working on various Conventions, as will be seen later in this document.

II. General Information and its relevance to the Environmental Agenda of Latin America and The Caribbean

11. In light of the fiscal restrictions that most countries of the region are facing, environmental authorities are limited insofar as concerns their possibility to strengthen their capacity through larger budgetary allocations. It is imperative to improve environmental quality at the lowest possible economic cost, and increase the perception that traditional regulatory systems have not adequately addressed the deterioration of environmental quality that the region is facing.

12. During the last decade the alternative of beginning to incorporate economic instruments for environmental management, complementing traditional programs of direct regulation, is gaining ground at the worldwide level.

13. Economic instruments are all those that will have a bearing on the costs and benefits attributable to the courses of alternate actions that the agents are facing; for example, they will have an effect on the profitability of alternate processes or technologies, or on the relative price of a product or activity, and consequently on the decisions of producers and consumers. These instruments, in effect, offer the opportunity to complement programs for environmental management, thanks to two basic advantages: they introduce greater flexibility through incentives based on prices and costs, and also offer the possibility of obtaining income to finance environmental management and investment through specifically designated funds.

14. The effectiveness of economic instruments for environmental management depends on the efficiency of the way the markets function and the presence of a solid institutional platform with capacity to implement environmental management objectives at the national, state and municipal level. Ultimately, the success of this type of environmental management instruments in the countries will be intrinsically linked to the degree of institutional development attained, and to the capacity of the public apparatus to render operable policy objectives –such as environmental policy– in the long term.

15. Latin America and the Caribbean have relatively little experience in using these instruments. The principles of environmental protection continue to be perceived by most of the productive sector and by many NGOs as being an external imposition and source of additional costs that dissuade development. This generates a political economy in which the topics of environmental sustainability still hold a secondary role. Nevertheless, there are some applications of economic instruments in the early stages that stand out, particularly in countries with greater institutional development. Among these is the application of tariffs for environmental services and payment for public expenditure incurred in environmental services.

16. Some examples: Colombia applies retributive and compensatory rates for spills and emissions, use of water, forest and fish resources; Brazil uses payment of fees for the right to use water and tariffs for industrial effluents; Guatemala employs a one-time tariff for municipal waters, energy and collection of solid waste; Chile charges users in the case of residual waste; Mexico charges fees for the use and utilization of flora and fauna, and rights to discharge industrial residual waters; Argentina taxes discharges of residual waters; Venezuela applies tariffs on industrial waste according to volume, and other measures as well. In the chart on the following page we can visualize the use of economic instruments for environmental management in various countries throughout the region.

17. On the other hand, there are subsidies in Latin America and the Caribbean that could be potentially harmful for the environment, or could lead to unsustainable practices. Generally speaking these are subsidies or fiscal incentives focusing on production factors (physical input or natural resources).

18. The case of water is by far the most evident. Its cost should include not only the service per se, but also the processing of wastewater and maintenance of the source, as the ministers of the environment have aptly stated. Another example is that of subsidies to fertilizers and pesticides: these are used in quantities that are counterproductive to the preservation of environmental quality. These subsidies, in addition to leading to adverse effects on the environment, drain the resources of public funds that could otherwise be used for priority activities.

19. There is a clear opportunity to incorporate environmental criteria as an integral part of future fiscal reforms to forge ahead toward a structure of incentives in sectoral policy that might be in keeping with –or at least not against– national goals for environmental policy. In the coming years, in an environment of fiscal restriction, the countries will face a double challenge: to accelerate the learning process and institutional strengthening, leading to the efficient use of innovative instruments that will improve the effectiveness of environmental management and to mobilize resources for self-financing.

Country	National case studies and instruments scrutinized
Brazil	<ul style="list-style-type: none"> • Financial compensation for exploitation of oil. • Payment for right to use water. • Tariff for industrial effluents. • ICMS, or Tax on the Circulation of Goods and Services, containing environmental criteria for transfer to municipalities. • Recognition and rewards for improvements in industrial environmental performance (NGO initiative)
Barbados Jamaica	<ul style="list-style-type: none"> • Deposit-reimbursement system for mass consumption bottles (Barbados). • Environmental tariff on imported durable goods (Barbados). • Differentiated tariffs for collection of solid waste (Barbados). • Fiscal exoneration for solar water heaters (Barbados). • User fees for volume of water extracted (Jamaica). • Fiscal incentives for construction of rainwater holding tanks and imported equipment to save water at hotels (Barbados).
Chile	<ul style="list-style-type: none"> • Compensatory system for particle emissions in the Metropolitan Region • Differentiated tariff for domestic solid waste. • Individual transferable fishing quotas. • Eco-labeling for ozone and organic agricultural goods.
Colombia	<ul style="list-style-type: none"> • Retributive rate for water pollution applied at the basin level by Regional Autonomous Corporations (CAR).
Guatemala	<ul style="list-style-type: none"> • Permit to use water. • Certification systems (organic agriculture and ecotourism). • Incentives (subsidies) for reforestation. • Financing of clean production projects at preferential rates. • National fund for environmental projects. • One-time tariffs for municipal services of water, energy, ornamentation and collection of solid waste.
Mexico	<ul style="list-style-type: none"> • Zero tariff and accelerated depreciation for equipment to control and prevent pollution. • Surcharge on gasoline. • Rights for the use and utilization of public goods: flora, fauna, sports fishing. • Discharge rights for industrial residual wastewater. • Deposit-reimbursement systems for batteries, tires, and used oil. • Financing through concessions and subsidies for projects entailing planting and forestry management in devastated forest areas.
Venezuela	<ul style="list-style-type: none"> • Deposit-reimbursement system for mass consumption bottles. • Tax exoneration on corporate taxes for investment in control and prevention of pollution. • Tax on deforestation. • Tariff system for industrial waste based on volume generated in the metropolitan area of Caracas.

Source: Instruments whose implementation was the object of analysis by the ECLAC/UNDP project through the present time.

III. Challenges and options for action for the implementation of economic instruments for environmental management

20. The interpretation of the observations contained in the case studies, from the standpoint of a regulatory framework such as the one described, lead us to the conclusion that most countries as yet have been unable to build the institutional platform required so that the environmental authorities of the region can successfully complement their regulatory strategies with economic instruments.

21. To attain this objective, it will be necessary to promote in each country a better profile of the institutional amendments and innovations needed to render environmental management more operational. The requirements identified will eventually have to be included as an integral component in fiscal reforms, initiatives for administrative reform, and decentralization processes that the countries of the region are promoting. .

22. The analyses of the case studies that have been documented within the context of the ECLA/UNDP project attest to the need to urgently consolidate progress on at least three fronts:

A. Articulation of new spaces for political and institutional action, working with fiscal authorities

23. It is imperative that the countries achieve the consolidation of their legal and institutional frameworks to fully support the implementation of fiscal instruments in environmental management. This is particularly true as regards the design, implementation and operations of environmental taxes, rates and tariffs geared toward the double objective of: a) indicate to the economic agents the real cost of environmental resources to induce more rational performance in all the productive and consumption processes, and b) collect funds to consolidate the strengthening of institutional and self-financed environmental management.

24. Quite clearly, the consolidation of this framework must become part of the agenda for fiscal reform still pending in the region. These reforms must incorporate the possibility of specifically allocating resources collected for those situations that are clearly justified; this should be done recognizing the territorial specificities that frequently characterize the problems of environmental management, and the variables that will have an effect on the political acceptance of new tools for environmental management, particularly during the initial phases of their introduction. The option of applying fiscal instruments for environmental management regarding watersheds and other geographic units of management may be seriously limited by the principles of horizontal homogeneity and harmonization that are usually present in fiscal structures. Standardized treatment within respective jurisdictions –both in national fiscal structures as well as state structures within federal systems – can hinder the focalized application of fiscal instruments for environmental management in circumscribed geographical ecosystems or spaces, or areas that might overlap or extend beyond various jurisdictions.

25. These are just some of the reasons why the building of a space within the fiscal regime that can feasibly accommodate the application of environmental management instruments may demand significant legal reforms. In many cases the barriers are found within prevailing constitutional interpretation, or in laws requiring arduous political negotiation processes, that in most cases are beyond the scope of the environmental authority and the agenda of political priorities of most governments of the region. Articulating the objectives of environmental management with those of fiscal policy

demands the previous strengthening of environmental authorities and making progress in matching the political priorities of their mandate to those of other governmental bodies. Moving toward the effective articulation of the objectives of environmental policy and its implementation as integral components of the fiscal regime is foreseen as an area that will demand greater efforts in research and analyses on behalf of the countries of the region in coming years. Significant progress is required in this heading if we are to develop concrete proposals that can be effectively incorporated in future fiscal and administrative reforms.

B. Adaptation of the current legal-institutional framework to facilitate the operation of instruments for environmental management at the different levels of government and ensure their harmony with other political sectors

26. The same territorial specificity for environmental management also demands the establishment of solid operational links with the decentralized authorities and local governments for their execution. This includes the possibility of using existing tax channels and administrative structures for the application of environmental management instruments (i.e. watershed authorities in the case of water rates, or urban municipal authorities in the case of urban environmental management instruments, etc.). Most of the cases studied indicate that the legal-institutional frameworks that exist in the countries, far from facilitating the operations of environmental management at the different levels and functions of the government, quite often act as obstacles. These barriers are evidence of the fact that in the evolution of the legal-institutional frameworks of the region, environmental management is a latecomer in the political agenda; hence, it is still far from being harmoniously integrated into the public apparatus. Obviously, environmental management will continue to face serious operating difficulties until such time as we find ways of inserting its functions in a crosscutting manner into the legal-institutional apparatus, and can ensure harmony with the incentives structure of other sectoral policies. In the opinion of various experts, the achievement of this objective may demand specifically oriented legal reforms.

C. Consolidate the generation of environmental statistics and information at the national and local levels

27. The absence of capacity to monitor environmental quality and its deficiencies in generating statistics and information that will enable us to associate environmental trends observed in the behavior of economic agents constitutes a formidable barrier to successfully implement efficient environmental management. It is simply not possible to design or adjust instruments for efficient management in light of significant information gaps. The functions of monitoring and generating environmental statistics and information are still in the early stages of development in most countries of the region. To close this gap requires a trans-sectoral effort to generate information that involves national statistic bodies and the authorities responsible for environmental management at each one of the levels: national, state and local. An effort of this nature takes time, and is a task to be undertaken gradually, beginning in critical areas that demand urgent attention and substantial improvement in the environmental effectiveness of existing management instruments. It is patently clear that the ability to generate more and better information that will allow us to fine-tune implementation and assess the effectiveness of environmental management must become a pressing priority in future years. This effort must go hand in hand with one for training and creation of awareness in civil society and in the private sector to interpret and use the environmental

information generated in ways that will complement the objectives of environmental management at all levels.

28. Bearing in mind the existing legal and institutional limitations that hinder environmental authorities in the region from encouraging the use of economic instruments, and in light of the results that have been documented, we must delve deeper into research on specific components that must be introduced in fiscal reforms – and in other reforms of an administrative or institutional nature– if we are to consolidate a platform that will allow us to achieve more efficient environmental management with a broader range of economic instruments at its service. This requires continued articulation efforts among environmental, sectoral and macroeconomic policies (especially as pertains to fiscal and trade policies); we must also bear in mind the condition of countries in the design and implementation of these instruments. The future agenda should, for all purposes, incorporate training and technical assistance activities directly addressing the countries.

29. On the other hand, there is a clear connection between this area of work and other objectives established at the level of the LAC Initiative. In this regard, research on economic instruments, fiscal policy and financing must incorporate the potential use of these instruments in analyses in different spheres involved in sustainable development, especially as concerns poverty and equity.

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Annexes

Annex I Stock-Taking

1. Among the activities of the agencies that comprise the ITC in the area of economic instruments and fiscal policy, we can underscore the ones below. Several of these activities are the result of joint efforts between the agencies.

Economic Commission for Latin America and the Caribbean (ECLAC)



2. ECLAC's activities in this area, mostly carried out jointly with the UNDP, can be grouped in various stages:

3. The project *Application of Economic Instruments in Environmental Management in Latin America and the Caribbean* (1999- to present). During the first phase of this project we analyzed the challenges and factors that determined the successful application of economic instruments in the environmental management of seven countries (Barbados, Brazil, Chile, Colombia, Guatemala, Mexico and Venezuela). A second phase including 5 additional countries is underway (Argentina, Cuba, Costa Rica, El Salvador and Peru). The results of the project are compiled in the book *Challenges and Opportunities for More Effective Implementation of Economic Instruments for Environmental Management in Latin America and the Caribbean*. (ECLAC/UNDP 2000)

4. Bearing in mind the need that was detected to open new spaces for political and institutional action together with fiscal authorities, ECLAC's activities, as of the year 2000, in conjunction with the UNDP and the World Bank, have focused on the area of fiscal policy and the environment. It was within this framework that the First Regional Workshop on Fiscal Policy and the Environment was held (January 30, 2003), organized by ECLAC, with the support of the World Bank and the International Monetary Fund. The objective of this Workshop was to foster a profound dialogue between fiscal and environmental authorities to better identify opportunities for synergy between fiscal policy and the environmental goals of the countries of the region. The Workshop presented three case studies: Costa Rica (*Economic and Fiscal Tools for Environmental Management in Costa Rica*), Brazil (*The ICMS as an Economic Instrument for Environmental Management: the case of Brazil*) and Colombia (*Fiscal Policy for Environmental Management in Colombia*). The Second Regional Workshop on Fiscal Policy and the Environment is scheduled for January of 2004.

5. Yet another area of complementary interest detected –that has a bearing on fiscal and environmental policy– is that of financing for sustainable development. The challenge of finding ways to finance sustainable development goals at the international, regional and national levels was one of the key objectives of the World Summit on Sustainable Development held in Johannesburg, August 2002. Within this context, ECLAC and the UNDP –considering the importance of quantitative and qualitative evaluations of financing for sustainable development available and their characteristics in Latin America and the Caribbean– kicked off a joint UNDP/ECLAC project in May of 2001 on "*Financing for Sustainable Environmental Development*". The project seeks to promote in the region homogenous, comparable methodologies to quantify and classify the expenditure and public and private investment in the environment, in addition to their sources of financing. During the first stage of research we have prepared a

document that contains a regional overview, titled "Financing for Sustainable Development in Latin America and the Caribbean: From Monterrey to Johannesburg", and an additional seven national case studies (Argentina, Brazil, Costa Rica, Colombia, Chile, Mexico and Trinidad and Tobago).

6. Lastly, ECLAC, together with the World Bank, has been carrying out a training program in the region since 2002; this program includes a course specifically dealing with *Market instruments and sources of financing for sustainable development*. Two courses have been held to date (Santiago de Chile, 2002 and Cartagena de Indias, 2003) with the participation of those responsible for public decisions in the countries of the region. A new course is scheduled for 2004. Additionally, this phase has also incorporated the concrete petitions expressed by the countries for technical assistance activities.

United Nations
Environment Programme



7. UNEP's role is to help countries shift towards more sustainable production and consumption patterns. UNEP's member governments, through its Governing Council, have in recent years specifically requested UNEP to provide assistance to countries, particularly developing countries and countries with economies in transition, in the development and application of economic instruments at the national level.

8. To implement this mandate, UNEP has developed an integrated range of activities that advances both the theory and practice of economic instruments:

a) UNEP's Working Group on Economic Instruments

9. Responding to its Governing Council mandate, UNEP has established a Working Group on Economic Instruments for environmental protection. The Working Group consists of 20 developed and developing country experts from governments, research institutions and relevant international organizations and has the following goals:

- a) Enhancing awareness of the national and international context in which economic instruments function, especially for developing and EIT countries;
- b) Improving understanding of the reasons why economic instruments are not being more widely used, and ways to make them more acceptable;
- c) Assisting governments in identifying circumstances and opportunities for the use of economic instruments, and making them more acceptable and viable at local, national and international levels;
- d) Assisting governments in making use of economic instruments to achieve national environmental objectives and to promote mutually supportive trade and environmental policies; and
- e) Promoting the use of economic instruments to achieve the objectives of Multilateral Environmental Agreements (MEAs).

b) Guidance on the Use of EIs

10. The Working Group is currently working on a technical document identifying opportunities to use economic instruments at the national and international level. This document entitled "Opportunities, Prospects and Challenges for the Use of Economic Instruments in Environmental Policy-Making" provides practical guidance on when

economic instruments may be most effective, taking into account the policy context and conditions under which they could succeed (e.g. legal and fiscal system, ministerial coordination, macroeconomic conditions and industry structure as well as pollution specificities). It examines the necessary baseline conditions for particular approaches to work, as well as the potential effects that economic instruments may have on important policy objectives, such as equity, poverty eradication as well as market access opportunities. This document will form the basis for further capacity building initiatives.

c) Economic Instruments and MEAs

11. Another major objective identified by UNEP's Working Group is to help policy makers and negotiators to better design and use EIs to meet the objectives of Multilateral Environmental Agreements. Starting with biodiversity-related Conventions (CITES, CBD and Basel), UNEP is examining the relevant obligations in these Conventions, analysing the actual and potential use of EIs to implement these obligations and identifying conditions for their successful implementation (e.g. local community involvement, identification of benefits and beneficiaries, definition of the role of the state and the exchange of experiences). The Secretariats of the Conventions being closely involved in writing the report and it is hoped that the results will feed into COP negotiations and national policy processes.

d) UNEP Case Studies on Economic Instruments

12. UNEP has conducted numerous country studies on economic instruments. These studies are undertaken by policy research institutes familiar with local conditions and priorities involving a broad range of stakeholders, including relevant government ministries. This approach ensures that results are founded on reliable national data and realistic policy recommendations.

13. UNEP is currently finalizing six further country studies on economic instruments (Philippines: forestry sector follow-up; Kenya: waste sector; Chile: mining sector; Uganda, Bangladesh and Mauritania: fisheries sector).

e) Addressing Environmentally Harmful Subsidies

14. Subsidies provided for natural resource exploitation or polluting activities often create perverse economic incentives, i.e. they can encourage producers to pollute or deplete natural resources and consumers to under-value the resource they use. Such subsidies conflict with both the polluter and user pays principles by sending false price signals. They also inhibit the development of substitutes that are more environmentally friendly, divert scarce financial resources from other social purposes and can distort competition. UNEP is addressing these problems especially in the sectors of energy and fisheries.

15. In a recent joint initiative on energy for example, UNEP and the International Energy Agency (IEA) conducted four regional workshops identifying several challenges policymakers face in reforming energy subsidies while pursuing sustainable development, including:

- a) Once in place, energy subsidies are difficult to remove - lobbying by special interests being a major stumbling block.
- b) A lack of transparency, lack of understanding on how to define and measure subsidies and their impacts as well as on their perverse consequences hinders development of viable alternatives and implementation of necessary reform.

- c) There is no all-embracing prescriptive model for countries seeking to reform energy subsidies. Although some essential elements for successful reform can be identified, subsidy reform efforts must be designed on a case-by-case basis.

16. UNEP's current work aims to share knowledge and experience on country-specific reform processes. Having recently published an information document on energy subsidies and their reform and UNEP is now working on a case study compilation and an analysis of the findings.

17. Following up on its work on fisheries subsidies, UNEP has undertaken country projects on the environmental impacts of trade liberalization, on the fisheries sectors in Uganda, Argentina, and Senegal. All studies conducted have illustrated the need for careful responses to trade liberalization, including targeted subsidy reform, as well as effective fisheries management regimes.

18. The UNEP paper "Fisheries Subsidies and Overfishing: Towards a structured discussion", aimed at clarifying the relationship between fisheries subsidies, overcapacity and the sustainable management of fisheries, has been widely disseminated. Building on this analysis, UNEP is currently working on an impact assessment of fishery subsidies under different management and bio-economic conditions. This work aims to identify the type of subsidies and management parameters that are most harmful to the resource base and to assist countries in reforming these subsidies.

19. UNEP is also regularly conducting workshops aimed at creating a better understanding, quantification and classification of the economic, environmental and related social effects of subsidies to the fishery sector. National policy makers from the fisheries and environmental sectors, together with trade negotiators, officials from relevant intergovernmental and non-governmental organisations, as well as representatives of artisanal fishermen, have a frank discussion on a possible way forward. The workshops are held prior to relevant WTO sessions in order to enhance participation of developing country environmental and fisheries officials in these international meetings and in order to contribute substantively to the discussions that took place in that committee.

20. Following the WSSD recommendations, UNEP's future work will focus on promoting the internalisation of environmental cost to enhance the use of economic instruments for environmental policy at the national, regional and international levels, including in the context of MEAs. The guidance document on economic instruments, developed by UNEP, will provide a starting point for evaluating better ways to identify and apply economic instruments to environmental problems, especially in the developing world. Additional learning in a number of core areas will be essential to improve the understanding and use of economic instruments. These include more detailed analysis of the ways that economic instruments can support poverty reduction and bridge income disparities, ways to improve implementation, monitoring and enforcement and means to build institutional capacity to design and apply them. Due consideration needs to be given in this process to the socio-economic conditions and development priorities of countries, including market access considerations and capacity building requirements. UNEP is looking forward to collaborate with other institutions in this area.



21. The portfolio of projects in execution and in the pipeline on the topic of Economic Instruments and Fiscal Policy (goal number 5) comprises selective activities at the regional level, and some Technical Cooperation activities in execution and in the pipeline. The list of operations does not include non-financial activities as technical documents resulting from seminars on the subject. The list is updated through August 12, 2003.

A. Technical Cooperation in Execution

Number		Program/Project
ATN/DC-7155-RS	RG	Innovative Financial Instruments for Natural Disaster Risk Management
	RG	Economic instruments in water and solid waste management (Regional Policy Dialogue, II Environment Dialogue, Feb, 2003). Technical Documents
	RG	Economic valuation of sustainable use of coastal resources and air quality management (Regional Policy Dialogue, III Environment Dialogue, October, 2003). Technical reports, in process.

B. Technical Cooperation in the Pipeline

Number		Program/Project
TC-0101073-RG	RG	<i>Practical applications of financing instruments in three countries</i>
TC-0111009-RG	RG	Development of insurance markets for catastrophe risk. MIF. Plan Puebla-Panama



Economic Instruments and Fiscal Policy	<i>In the pipeline:</i> Central America Drivers of Growth Study Colombia Environment, Land and Poverty ESW Mexico Environmental Degradation and Poverty ESW
	<i>Active:</i> Brazil Sustainable Business Project

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