

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460
OFFICE OF INTERNATIONAL AFFAIRS

March 24, 2003

Mr. Gustavo Alanís-Ortega
JPAC Chair for 2003
Commission for Environmental Cooperation
393, rue St-Jacques ouest, bureau 200
Montréal (Québec) H2Y 1N9

RE: Response to JPAC Advice to Council 02-13 (Financing for Sustainable Development)

Dear Mr. Alanís-Ortega,

Thank you for your advice concerning Continuing Innovations on Work in Financing for Sustainable Development. As always, we appreciate the thoughtful consideration and effort of the JPAC in developing this advice. On behalf of the Council, we offer the following response.

We share JPAC's enthusiasm for the good work that the Secretariat is doing on financing and sustainable development through the Environment, Economy, and Trade program. JPAC's recommendations are all broadly addressed by Actions in program 1.2.2, Financing in Support of Environmental Protection and Conservation.

For example, the first recommendation, to pursue the development of common and comparable measures with meaning for both the financial and environmental communities, is addressed by the work being undertaken in Activity 3 of Action 1. This activity involves the development of methodologies and information links to encourage the use of environmental information in credit, investment and asset risk management and to document environmental risks, costs and benefits in a way that makes sense to CFOs and CEOs.

Your second recommendation, internalizing the cost of externalities, is a very important issue, and a huge undertaking for any organization to address. As you can appreciate, with our limited budget, the CEC is trying to focus on areas where we can add value, and this is an area that is too complex to address as a whole at this time. However, Activity 3 (described above), through its work with accountants, auditing, and financial institutions, can begin to address this issue through better disclosure.

Your third recommendation, to develop strategies for further evaluation on how common and comparable data from small and mid-sized enterprises (SMEs) can be collected and shared in order to assist in expanding their investment and credit opportunities, is addressed by the work being undertaken in Action 2. In this action, the CEC will continue to explore ways to increase the market penetration of goods and services, particularly those provided by small and medium-sized entrepreneurs, that reflect improved environmental practices.

Your fourth recommendation, to continue efforts to bring together interested parties in the financial and non-financial corporate sector and participate in events, such as the UNEP meeting in New York City, with senior officials of the finance community, is addressed by the work being done in Activity 2 of Action 1. This activity involves further work with the finance industry participants and market institutions on the provision of environmental information in a form useful to them.

Your fifth recommendation, to encourage regulatory agencies and professional bodies to develop directives and guidelines to promote changed corporate behavior and lending practices, and encourage and promote new markets for investment, is addressed by the work being done in Activity 3 of Action 1, as described above. Of course, the Council's ability to undertake the full spectrum of work called for in this recommendation is limited by resource constraints.

As always, we appreciate your advice and look forward to your continuing ideas and comments.

Yours sincerely,

[Original signed]

Judith E. Ayres
Assistant Administrator

cc: Norine Smith
Olga Ojeda Cárdenas
JPAC Members
CEC Acting Executive Director