

PLANNING FOR MITIGATION AND ADAPTATION IN NICARAGUA

Luis Fiallos P.

Environmental Advisor
Private Secretary for National Policies
Presidency of the Republic
Republic of Nicaragua

Mr. (Ms.) President,

At the recent meeting of Ministers of Environment of Latin America and the Caribbean, held in Los Cabos, Mexico, ministers stated that the wealth of natural and cultural resources of the region should be conserved and sustainably used to achieve an equitable, inclusive and sustainable development, affirmed that sustainable development challenges demand innovative visions, coordinated actions and solid cooperation initiatives, and trying to illustrate the complexity of the future problems of humankind, it was mentioned as an alternative solution, the necessary change of the current economic model. While we agree with this approach, we also recognize the complexity of this task, taking into account the interests of big economic groups in maintaining the current model.

There seems to be a consensus about growing inequalities in the world, have become one of the main obstacles to the economic development. Many voices are claiming that we are going into a wrong direction.

Ms. Christine Lagarde, Managing Director of the International Monetary Fund (IMF) said that capitalism has been characterized by "excess" in risk taking, leverage, opacity, complexity and

compensations, leading to massive destruction of value and trust in leaders and institutions. Rising income inequality and the dark shadow it cast over the global economy is one of the economic issues of our time, says. The principles of solidarity and reciprocity that bind societies together are more likely to erode in excessively unequal societies, she adds.

"This kind of capitalism was more extractive than inclusive. It is therefore not surprising that IMF research -which looked at 173 countries over the last 50 years- found that more unequal countries tend to have lower and less durable economic growth".

Analyzing the effect of inequalities, Paul Krugman notes that 25 highest-paid hedge funds managers in the United States made a combined 21 billion US dollars in 2013. That is, income of the big bankers seems ridiculous compared to these levels prevailing inequalities that mark. "Last year, those 25 edge fund managers made more than twice as much as all the kindergarden teachers in America combined".

IPCC points out that substantial reduction in emissions would require large changes in investment patterns. Financial flows whose expected effect is to reduce net GHG emissions and or to enhance resilience to climate change and climate variability show USD 343 to 385 billion per year globally. Some others respectable organizations agree on a total amount of 360 billion USD per year in the climate finance scenario.

Out of this, total public climate finance that flowed to developing countries is estimated to be

between USD 35 and 49 billion/yr in 2011 and 2012. Around 95% of reported total climate finance is for mitigation.

On the other hand, climate finance under the UNFCCC is funding provided to developing countries by Annex I Parties. The climate finance involved averaged nearly 10 billion USD per year.

There are some other inequalities. Climate Funds Update notes that in Latin America, for example, in the last ten years the amount approved for mitigation and REDD + is more than seven times the amount for adaptation. The climate finance in Latin America and the Caribbean (LAC) is highly concentrated in a few of the largest economies in the region, which receive the majority of funding, mainly for mitigation projects, while Small Island States get only a very small proportion.

But not all are bad news.

There is much concern from strong economic groups related to risk management to face the climate change exposures. A few days ago, 66 Chief Executives of the world's leading insurers have confirmed their commitment to The Geneva Association's Climate Risk Statement. The prospect of extreme climate change and its potentially devastating economic and social consequences are of great concern to the insurance industry.

The businesses run by Members of The Geneva Association have gross written premiums in excess of US\$2.1 trillion and aggregated total assets of more than US\$14.9 trillion, employing more than 2 million people serving customers in over 140 countries. "Our industry can make a considerable contribution to

global efforts to reduce the impact of climate change, but reaching its full potential will require greater collaboration with governments, and global governance bodies such as the United Nations.”

Mr. Ban Ki-moon, Secretary-General of the United Nations, tell us that The Principles for Sustainable Insurance provide a global roadmap to develop and expand the innovative risk management and insurance solutions that we need to promote renewable energy, clean water, food security, sustainable cities and disaster-resilient communities. With world premium volume of more than US\$4 trillion and global assets under management of more than US\$24 trillion, insurers that embed sustainability in their business operations can catalyze the kinds of financial and investment flows and long-term perspectives needed for sustainable development.

Sustainable insurance is a strategic approach where all activities in the insurance value chain, including interactions with stakeholders, are done in a responsible and forward-looking way by identifying, assessing, managing and monitoring risks and opportunities associated with environmental, social and governance issues.

In 2008, the World Bank launched the "Strategic Framework for Development and Climate Change" to help stimulate and coordinate public and private sector activity to combat climate change. The World Bank Green Bonds is an example of the kind of innovation the World Bank is trying to encourage within this framework. "Climate change is not just an environmental challenge. It is a fundamental threat to economic development and the fight against

poverty", tell us Jim Yong Kim, President of The World Bank Group.

The World Bank Green Bond raises funds from fixed income investors to support World Bank lending for eligible projects that seek to mitigate climate change or help affected people adapt to it. Since 2008, the World Bank has issued over USD 6 billion in Green Bonds through 65 transactions and 17 currencies.

Meanwhile, Joseluis Samaniego, Director of Sustainable Development at UN Economic Commission for Latin America and the Caribbean (ECLAC) indicates that we are not going in the right direction for sustainable development, among other factors, due to inequality and persistent poverty, exclusion and discrimination. Then he adds, to face new and old challenges a new model of development based on a structural change for equality and environmental sustainability, to close the structural gaps, is required.

More recently, French economist Thomas Piketty, devotes his book, "Capital in the Twenty-First Century" to analyses historical data of 30 countries through 300 years concerning increasing inequalities, as consequence of the rate of capital return higher to the rate of economic growth. In layman's terms, the rich are getting richer. This is inherent to capitalism.

In the meantime, what we're doing?

In Nicaragua we have embarked on the road to a gradual change in the model, based mainly on our own efforts, without underestimating the role of international cooperation and the foreign

investment. This is not an easy road, because we must take into account that Nicaragua and Honduras are placed among the five most vulnerable countries in the world.

As an example, the macroeconomic impact of Tropical Depression 12-E was higher in Nicaragua than in other Central American countries. In our case, this impact was estimated at U.S. \$ 445.4 million, equivalent to 6.8% of GDP in 2010. In Nicaragua, ECLAC estimates for rehabilitation, reconstruction, risk reduction and climate change adaptation, total needs was U.S. \$ 1,963 million, of which \$ 443 million related to road infrastructure and \$ 100 million in support to agriculture.

In Nicaragua, all policies related to natural resources and the environment are based on the Constitution of the Republic, which provides in Article 62 that all Nicaraguans have the right to live in a healthy environment and the obligation of the State for preservation, conservation and restoring of the environment and natural resources. Although the Constitution does not set, all we know we have a responsibility for taking care of the environment and Mother Earth.

On a second level, we have the National Human Development Plan, which devotes one of its great principles to the protection and care of Mother Earth, with specific mandates regarding forests, waters, biodiversity, environmental education for life, among the highlights. From these two great guidelines, the General Law for the Environment, National Water Law and the National Climate Change Strategy are derived.

We also make efforts in Central America, coordinating regional strategies and policies through the Central American Commission for Environment and Development under the Central American Integration System (SICA) framework.

In the institutional framework, we have a Ministry of Environment and Natural Resources, a National Forestry Institute, plus the National System for Prevention, Mitigation and Attention to Disasters, which brings together all state institutions and civil society organizations in combating and adapting to the adverse effects of natural disasters caused by climate change.

In the struggle against the effects of climate change, we must highlight the outcomes of investments in renewable generation projects, wind power, geothermal, solar, hydro and biomass. These efforts recognized by Climatescope 2013 and published by Bloomberg, placed Nicaragua in third place in Latin America and the Caribbean, surpassed only by Brazil and Chile, highlighting the enabling environment for investment development and the investment effort devoted to clean energy, as number one in LAC.

We are in a process of a drastic change in the energy matrix, having achieved so far an increase from 29% share in the generation of renewable energy to 51% in the last seven years. As of today we are at 54%. We aim to reach 85% by 2020 and we've been able to increase electricity coverage from 60% to 76% in the same period, with a projection of 86% by 2017.

It's worth to mention that this radical transformation has been achieved from foreign direct investment, which has quintupled in our country in the past seven years, resting in our political, social and economic stability, with a favorable climate for investment and new businesses in the country. In 2013 we achieved levels of USD 1,360 million foreign direct investments, in a country with US\$ 1,820 GDP per capita. This week, ECLAC informed of Nicaragua's best foreign investment to GDP ratio in Latin America, with 13.3%.

The strength of the macro economy is reflected in a sustained economic growth, high levels of gross international reserves, free convertibility, an investment boom, repatriation of capitals, growth of exports, poverty reduction and one digit inflation is maintained in recent years. Current levels of extreme poverty reach barely 7.8%.

Our programs to struggle poverty, hunger and usury, has allowed us to reduce the Gini index from 0.41 to 0.34 between 2005 and 2012. Moreover, public safety levels place us among the highest in the region. The latest UNDP report ranks us as the fourth best country in Latin-American in citizen security.

In our development strategy we conceive as a must the change of the model, in order to grow with equity, sustainability and making rational use of natural resources. We propose ourselves to develop an inclusive model, in which all citizens can participate while we all share the responsibilities. In this model, the central government establishes alliances with workers unions, the private sector, large and small businesses, municipalities, autonomous governments and indigenous territories in

search of consensus, involving organized residents of neighborhoods and rural communities. An economic model in which generosity and solidarity replaces selfishness, envy and greed.

In terms of natural resources, agriculture and the environment, it implies to move slowly from a model of predation and death, towards a model of restoration, love and life.

We talk about shifting from a model that devastated our forests, depleted our soils and depressed and polluted our groundwater, towards a model of restoring the rights of Mother Earth, forest recovery, recovery of aquifers and fertility soils with good agricultural practices friendly to the environment, to increase productivity and income of rural households.

Citizen participation is essential not only in planning, but in the decision making for the implementation of programs and activities related with risk management and vulnerability reduction. Municipalities are fundamental in partnership with the central government, as well as a linkage with Cabinets of Community, Health and Life, a citizens' organization at the level of neighborhoods and communities.

Lines of action are proposed with a new vision that involves a change of approach, aimed to identify the causes of environmental problems, leaving behind the practice to continue attacking the effects thereof, allowing the preparation of our peoples and institutions to confront the great challenges ahead.

Municipalities developed in consultation with different economic operators, the Municipal

Development Plans, as well as plans for risk management and vulnerability reduction, including adaptation plans to address the effects of climate change.

Our adaptation programs aim to reduce the vulnerability of rural populations in Nicaragua to face risks associated with climate change, through risk management actions based on the management and conservation of natural resources in prioritized watersheds according to their vulnerability.

The prioritization process conducted during the programs design was made stressing the importance of reducing the vulnerability to droughts and floods of the population of these municipalities. Municipalities must provide a percentage of total costs, and beneficiaries usually provide part of labor required.

Programs are implemented through the Model of Alliances since planning processes are developed in coordination with local governments and central institutions, identifying critical sites and proposals for disaster prevention works. The works are arranged according to the priorities that local governments approve. The Minister of Environment in accordance with the Local Government prepares the schedule including the phases of design and investment, construction and supervision.

Local governments are the recipients of the works and prepare with stakeholders, before the delivery of each work, empowerment community meetings, where the overall situation of the families is analyzed, including health situation, children birth registration, retention of primary school, the care

of the elderly, pregnant prenatal programs, with the commitment of supplying annual maintenance costs thereof after its construction.

The identification and selection of actors is done in coordination with the local governments and the central government, through their regional offices, who gather in assemblies with the Cabinets Family, Community and Life, selected to encourage participation of the protagonists.

The implementation process begins with a meeting in each community to develop a plan for environmental restoration for each family, with an implementation schedule that includes technical assistance and training, provision of tools, seeds and forestry inputs. An implementation agreement of shared responsibility is signed with each and every protagonist.

As of today we have succeeded in financing for four adaptation projects totaling USD 27 million from various international sources, grants and loans. We are protecting 3,200 water sources and 120 protection civil works at critical sites are under construction. In addition, we are working with over 4,000 farmers in the implementation of good agricultural practices friendly to the environment, to increase agricultural yields and rural family income.

With these Christian, Socialist and Solidarity model, structural transformations and conviction needed to overcome poverty levels and unlock the potential of inclusive development, are implemented based on family principles.

We must acknowledge that we are far from reaching our expectations, we have a long way ahead to overcome poverty, but the facts indicate that our model is working, that we are in the right path to sustainable development and that we will succeed in the implementation of our Christian, Socialist and Solidarity model in a Nicaragua.

Montego Bay, Jamaica
June 2014