



Ensuring Sustainable Development Globally: EU Follow-Up to Rio+20

**Contribution of the German Development Institute / Deutsches Institut
für Entwicklungspolitik (DIE) to the EU Public Consultation**

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Preface

The German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE) closely followed the policy debates that preceded the United Nations Conference on Sustainable Development 2012 ("Rio+20") and actively participated in various side events at the summit in June. DIE considers an ambitious and effective follow up on the Rio+20 outcomes as key to shaping the post-2015 global development agenda and to advance the overall pursuit of global sustainable development.

DIE thus appreciates the opportunity of this public consultation by the European Commission to which we are happy to contribute below. DIE considers the EU as a key player in the global governance of environment and development and would like to encourage the EU's actors and institutions to provide strong and credible leadership in the implementation of "The Future We Want" and the multilateral processes following from Rio+20.

To this end, DIE would also like to take this opportunity to underscore the relevance of pertinent policy recommendations that have already been tabled in the **European Report on Development 2012** (i.e. regarding the water-energy-land nexus), in the 2011 flagship report of the **German Advisory Council on Global Change** (WBGU, i.e. regarding a global transformation towards sustainability) and in the report of the United Nations' **High-level Panel on Global Sustainability**. Moreover, we would like to refer to DIE's feedback to the Commission's previous public consultation on a post-2015 development framework and the forthcoming **European Report on Development 2013** with its explicit focus on inclusive and sustainable development.

I. The Inclusive Green Economy

1. *What policy tools do you think are the most effective and need to be put into place to stimulate the transformation to the inclusive Green economy within the EU? How should this complement the Europe 2020 strategy and/or its implementation?*
2. *What policy tools do you think are the most effective and need to be put into place to as part of the EUs interactions with developed countries, emerging economies, and with developing countries? How should this complement EU external policies and their implementation?*
3. *What policies need to be put into place to further encourage and engage EU business and stakeholders?*
4. *What specific actions could be foreseen in this area? How could such actions contribute to growth and jobs?*

Within the EU as well as in developing countries, policy tools to support an inclusive Green Economy should resort to existing approaches and instruments within and across different sectors to maximize learning effects and to minimize duplication with existing activities. In particular, new initiatives should build upon experiences of the opportunities and challenges of linking social, economic and environmental sustainability and negotiating related trade-offs.

Experience has shown that there is no 'one-size-fits-all' policy that would work for all country backgrounds. On the contrary, the success of policies heavily depends on the specific circumstances found within countries – e.g. administrative and judicial capacities, macroeconomic climate and particular market failures which may impede or facilitate the shift towards a green economy in any given country. Policies need to be designed according to these circumstances and to a commensurate prioritization of policy aims. The diversity of policy options should be appreciated and international policy learning, while important, should be exercised with attention to detail. Successful transfer of lessons learned hinges on the comparability of country backgrounds.

A clear, transparent and participatory analysis and communication of opportunities, challenges and potential trade-offs linked to the implementation of Green Economy activities would help to improve the design and implementation of projects by anticipating negative externalities and by strengthening the legitimacy of policies and tools. It may not always be the outcome of specific policies which matters most, but the process leading to these policies. In order to be effective, policies need to be devised in a participatory manner, evaluated, and adapted as necessary. Governments and civil society need to collaborate to ensure that a transformation to a green economy is a widely-owned and truly inclusive process. Clarity, transparency, reciprocity and credibility are keys to this. Again, appropriate policies depend on countries' backgrounds and contexts, and on their specific capacities and requirements.

Accordingly, the foci of cooperation should depend on the specific needs and potentials of a given country. For example, with regard to climate change this may relate to greenhouse gas mitigation for emerging economies, while least developed countries may call for assistance in the area of climate change adaptation. Drawing upon existing experiences in the implementation of projects targeting sustainability, three key concerns emerge. These relate to the economic, the social and the environmental sustainability of initiatives to advance inclusive green economies. Potential trade-offs between the three dimensions of sustainability are illustrated below to show how little these are often considered. The following illustrations draw from the water sector, which is considered of paramount importance in the quest for an inclusive Green Economy. Similar trade-off patterns can be identified for other sectors, too.

First, the **economic sustainability** of Green Economy strategies and tools is in many cases assumed rather than explicitly researched and targeted. This is particularly visible with regard to job and income creation in the water sector where many projects postulate economic sustainability as a result of technology transfer or of investments in ecosystem services, but fail to deliver corresponding results.

Second, the **social sustainability** of Green Economy initiatives is often neglected. For instance, pricing of water consumption may create or reinforce inequalities regarding access to water with negative effects on health, livelihoods, education and social coherence.

Third, the **environmental sustainability** of Green Economy projects is often undermined when negative externalities on biodiversity and ecosystems are ignored or when interdependencies between technological innovation and the socio-political environment are neglecting rebound effects. For example, investments in water efficiency do not automatically conserve water resources as water that is technically saved will often be redirected to other uses.

Comprehensively targeting all three dimensions of sustainability in the pursuit of an inclusive Green Economy is a complex endeavour. It may prove especially challenging in the private sector where there are inherent incentives to maximize short-term profits over long-term sustainability. Hence, if the notion of a Green Economy is to signal more than just an exercise in green-washing business as usual, it will be paramount to apply and, indeed, extend existing standards, safeguards and guidelines that actually foster sustainability across all three dimensions. The right to water, the right to food, standards for environmental and social impact assessment or guidelines as developed, for instance, by the Global Reporting Initiative or the World Commission on Dams are important achievements in this regard. They should be complied with, sustained, and developed further as appropriate, including by strong and credible EU support at the international level.

At the same time, effective Green Economy policies pursued by the EU should aim at greater coherence of sectoral planning, within the EU and beyond. This is particularly relevant with regard to the water-energy-food nexus where negative externalities of single-dimension approaches are highly probable. Moreover, an honest analysis of potential trade-offs between and within different sectors would improve the conditions for success and long-term sustainability of specific Green Economy initiatives and projects. This relates to debating and, indeed, deciding on Green Economy objectives at the international level, also with regard to the sustainability of world trade - in which the EU is a major stakeholder, and in the field of multilateral and bilateral cooperation between the EU and its partners in developing countries and emerging economies.

To this end, successful policy making in the pursuit of an inclusive Green Economy needs to look at the relationships between all actors involved and the changing patterns of international cooperation. This is not only important in order to avoid creating or reinforcing social conflicts at domestic levels, but essential for the external perception of the EU's activities, its credibility and legitimacy. The eagerness with which key players such as China or the US observe how the radical energy transition ("*Energiewende*") envisaged by the German government unfolds may be considered as a strong case in point. As the EU strives to advance the Green Economy agenda on a global level, DIE suggests for the EU to invest in ambitious Green Economy alliances with suitable partner countries or regions. This would allow to showcase successful pilot activities that may then be scaled up or diffused as other countries seek to join or emulate similar policies.

II. Action in Priority Areas

5. Which key areas do you think are the most important and should be given the highest priority (for the EU/at global level)? Please give reasons for your choices.
6. Are there specific ways in which an area needs to be followed up (within the EU/at global level)? Should the EU promote and enter into partnerships for action and if so, in which area specifically? Are there specific barriers to implement actions in a given area? What could be done to overcome these barriers?
7. Do you think it is useful for the EU to develop targets to drive the inclusive Green economy? If so, what aspects do you think should be covered and how should economic, social and environmental aspects be addressed?
8. What additional tools and indicators for the measurement of progress should be applied?

DIE acknowledges the relevance of all the thematic areas and cross-sectoral issues addressed in the 'Framework for action and follow-up' of the Rio+20 outcome document "The Future We Want" (TFWW) for the pursuit of global sustainable development. Indeed, the conference demonstrated that they all have a history and justification in the context of international environmental governance and global development policy. Yet, it seems neither feasible nor advisable to pursue each and every issue as top priorities simultaneously.

We therefore suggest for the EU to focus its attention and to concentrate its political and financial resources by prioritizing four issue areas that DIE

- a) considers to be of particular urgency and saliency for the pursuit of global sustainable development,
- b) expects to have strong leverage regarding the overall pursuit of a global transformation towards sustainability, including through spill-over effects to interdependent issue areas such as world trade and global food security, and
- c) perceives as issue areas in which the EU is in a particularly favourable position to exercise leadership and to actually make a difference at the global level.

Against this background DIE proposes the following four themes as priority areas for action: **(i) climate and energy, (ii) water, (iii) land and soil, (iv) consumption and production** (see below).

The EU has several means to underline the importance it attributes to these priorities and to the objectives of inclusive and sustainable development more generally, including the concurrent shift towards a Green Economy. Ambitious policies with regard to these priority areas can help the EU to demonstrate credibility. We are concerned that a lack of credibility and consistency was one of the root causes for the lukewarm reactions which the EU's proposals regarding a Green Economy received at the Rio+20 summit. Notably, the EU's credibility at the international level will depend on its readiness to walk the talk. Indeed, the EU has specific opportunities to act, with a view to internal as well as external policies. Internally, the EU has a major impact on the global management of natural resources and is responsible for one-sixth of the global environmental footprint. Externally, the EU is one of the largest importers and exporters worldwide. It depends on imports of food and raw materials for its own production sectors.

For any actual priority areas that will eventually proliferate from the emergent international process, the EU should see to it that due consideration is given to the governance dimension in corresponding policy areas and sectors. Indeed, sectoral policies are unlikely to reach their objectives efficiently, if they fail to address underlying governance issues at all political levels from global to local.

Moreover, a cross-cutting methodological challenge relating to an expedient operationalization of any priority area is the question of how to measure progress. To meet this challenge with regard to applicable tools and indicators, DIE suggests for the EU to consider how the notion of 'decoupling' may best be integrated for the measurement of actual performance.

A decoupling approach to measurement would allow to relate the economic, ecological and social dimensions of development in a meaningful way by systematically checking economic progress against social and environmental progress or stress. A case in point, the decoupling concept introduced by the OECD in 2002 suggests to measure the decoupling of environmental pressures from economic growth. Relative decoupling would thus occur when the growth rate of an environmental pressure is smaller than the growth rate of its economic driving force (e.g. GDP) over a given period. Accordingly, absolute decoupling would occur when the environmentally relevant variable is stable or decreasing while the economic driving force is growing. From a sustainability perspective this would be the preferable objective.

i. ***Climate and Energy***

The issues of climate change and energy are inextricably linked and essential for sustainable development and poverty reduction. A decarbonisation of the global economy is key to avoid the unmanageable in terms of climate change and invariably requires a profound transformation of energy policy. Unmitigated global warming, in turn, would severely undermine the prospects for sustainable global development. At the same time, access to clean and safe energy is an important prerequisite for inclusive human development. Hence, the pursuit of inclusive and sustainable development, which must include the adaptation to climate change impacts that will be unavoidable, requires a sufficient provision of and safe access to sustainable energy sources.

Internally, the EU should commit itself (a) to ambitious emissions reduction targets that are commensurate to the salience of the 2°C threshold in global warming and (b) to a common energy policy that implements a transition to sustainable production and consumption of energy across a single European energy market. The German "*Energiewende*" may prove to be a suitable vantage point for any such endeavour. The success or failure of Germany's undertaking notwithstanding, the European Emissions Trading System (EU-ETS) urgently needs to be refined and revived in a manner that gets carbon prices right, limits exemptions for energy-intensive sectors and curbs the inflation of emission certificates. Indeed, a more effective EU-ETS would provide strong incentives to save energy and thereby to reduce emissions. Any success in this respect would collaterally provide a strong symbolic effect for the global economy and strengthen the EU's competitiveness.

Externally, the EU should first and foremost strive to reassume a strong leadership role in global climate policy. Again, credibility will be key: If the EU is not prepared to walk the talk domestically, why should developing countries and emerging economies subscribe to the notions of salience and urgency that are reiterated time and again in view of unabated global warming? Hence, the EU should take ambitious steps, even unilaterally, to enable significant progress in international mitigation and adaptation policies. To this end, the demonstration of a successful European energy transition as suggested above would be a priceless asset in its own right. Moreover, the EU should put its full political and economic weight behind efforts to advance global carbon pricing at a level that must be substantially higher than the current EU-ETS suggests, for instance through the introduction of an effective cap and trade system. Concurrently, the EU should pursue the linking of current emission trading systems and with the ultimate objective to establish a global emissions trading scheme, e.g. along the lines of the budget approach advanced by the WBGU in 2009. Besides the EU could foster its leadership role in global climate and energy policy by inter alia promoting the successes of European energy policy for adaptation elsewhere and by supporting an inclusive and sustainable global build-up of renewable energy capacities through the UN's SE4All Initiative as well as by advancing a coherent sustainable global energy agenda via IRENA and G-20.

Not least, EU credibility in the developing world will depend on the EU's readiness to live up to financial commitments regarding key funding mechanisms such as the Green Climate Fund and the Adaptation Fund.

ii. Water

It is self-evident that freshwater is an essential resource for sustainable development. The apparent 'water crisis' primarily reflects a failure of adequate water governance rather than physical water scarcity. Hence, addressing it requires a fundamental reorientation of water policies towards increased social, economic and environmental sustainability. The challenge is to govern access, to allocate and to use water resources in a sustainable manner while taking into account the constraints determined by specific bio-physical absorptive capacities of regions as well as social capacities. Yet, water governance is often limited to improved capacity development of water management institutions, better access to water efficient technologies and increased efficiency of and investment in water infrastructure. While all these are needed, it is the fundamentally political dimension of water governance that determines the outcome of water policies.

The EU should explicitly recognise this to balance social, economic and environmental dimensions of the resource and to promote synergies and to avoid trade-offs in related policies within and beyond Europe. This includes an honest debate on strategic choices on allocation between sectors, regions and stakeholders as well as on possible negative externalities of sector-policies and corresponding development options. Ensuring informed public participation in these choices will strengthen legitimacy and, with adequate support to stakeholders, will also facilitate timely adaptation to possible trade-offs.

Contrary to biodiversity and climate change, water lacks a comprehensive international policy, although it is subject to important international institutions and processes. The EU should continue to support the evolution of universal norms and principles and contribute to the international debate on how a global framework would look like. It should actively promote established international rights and norms (such as the right to water) and consistently apply respective procedures to its own projects (such as the ones developed by the World Commission on Dams). To avoid neglecting social sustainability in the water sector it is imperative that pertinent SDGs, Green Economy initiatives and related policies do also build on and adhere to such international norms both internally, within the EU, and externally, in its development cooperation.

Moreover, the EU should support and promote evolving new regulations that may help protecting water resources and access, notably regarding large-scale investments in land. Not least, the water sector demonstrates the need of cross-sectoral planning and management. As considerable experience has been gained in the implementation of Integrated Water Resources Management (IWRM) worldwide, the further promotion of the water-energy-food nexus should build upon lessons learned from IWRM and be closely linked to established networks and institutions in this field.

iii. Land and Soil

Much like freshwater, land and soil are essential environmental media and pivotal for key ecosystem services. Indeed, human life relies on land and soil related ecosystem services to provide food, energy and a healthy environment as well as increasing adaptive capacity and resilience to environmental stress. Yet, land and soil has long been neglected as a concern for international action and is only recently emerging as a salient issue on the international agenda. Awareness for the dramatic scale and dynamics of global land degradation and the fact that soils are a scarce and non-renewable resource is still low, even as there are evident links between soil functions on the one hand and major sustainable development issues on the other hand, including inter alia food security, biodiversity, sustainable land management, water storage, carbon storage.

Land and its provisioning services have been challenged by a host of human-induced impacts resulting from population growth, land degradation and desertification, climate change, water and nutrient depletion, changing diets and consumption patterns, and urbanisation. Demand for agricultural land is growing while growth in agricultural productivity is slowing and the environmental impacts through intensification are increasing. Moreover, competition for food, fuel

and fibre has increased the demand for arable land and accelerated deforestation. As a consequence the ecosystems services harboured by land and soil degrade, i.e. their biological or economic productivity is reduced or even lost. As a result we observe land and soil to become scarce resources and find this trend accelerated by a surge of interest to invest in agricultural land.

Internally, the EU should establish mechanisms to better reflect the true value of land and soil as well as corresponding ecosystem services and to reduce pressure on terrestrial resources accordingly by removing distorting subsidies, e.g. under the CAP. Likewise, incentives for domestic biofuel production will need to be reassessed in view of comprehensive sustainability standards.

Externally, the EU should also monitor the impact of food and, especially, biofuel production in relation to global trends in direct and in-direct land-use. Indeed, reducing EU fossil fuel consumption through importing non-sustainable biofuels would pervert the notion of a global Green Economy and seriously hamper the EU's credibility vis-a-vis emerging economies and developing countries. As land-use urgently needs higher priority at the international level the EU should pull its weight to strive for a strong and coherent institutional architecture for global land governance (e.g. by calling for a Global Commission for Sustainable Land-Use as has already been proposed by the German Advisory Council on Global Change).

At the very least the EU should consistently support the further development and effective implementation of land and soil related international processes and agreements, such as the FAO's voluntary guidelines on the responsible governance of tenure, the UN Convention to Combat Desertification, the Ramsar Convention on Wetlands of International Importance, and land related mechanisms and instruments under the Convention on Biological Diversity and the UN Framework Convention on Climate Change, such as REDD+.

iv. Consumption and Production

Not least, changing the ecological footprint of consumption and production patterns is paramount for global sustainable development. This will necessarily involve major changes in the way people live. To this end, timeliness is critical as postponing such changes is likely to increase their costs. Richer countries should act first to manage demand and reduce the direct and indirect environmental pressures associated with the consumption and production of resource-intensive goods and services. They should take the lead on cutting waste, educating their citizens and paying the full prices for resources. Again, failure to deliver in this respect will seriously undermine EU credibility at the international level.

Internally, the EU should therefore push for major changes in domestic consumption and production patterns towards sustainability and inclusiveness, concentrating on those sectors and product groups that are particularly resource intensive. This includes in particular the switch to sustainable forms of renewable energies and commensurate changes in food consumption and production patterns in order to radically reduce the environmental footprint of European agriculture, food wastage and protein consumption (meat, fish). In this respect, implementing the Roadmap to a Resource Efficient Europe, reforming the CAP – which continues to subsidise resource-intensive farming –, reassessing European biofuel policies, and innovative approaches such as, for example, the Danish 'fat tax' warrant special attention.

Externally, in order to reduce the detrimental effects of its high consumption of raw materials in other regions of the world, the EU should increase its efforts to reduce the environmental and social impacts of external resource exploitation by inter alia reducing energy and water intensity, the use of chemical pollutants, the destruction of landscapes and the degradation of fertile soils. For this purpose, the EU could propose and advocate an international agreement on the exploitation of raw materials with high social and environmental standards for corporate practice in pertinent activities.

III. Sustainable Development Goals

9. *In your opinion, what specific themes or topics should SDGs cover? In what way could the EU build on existing or proposed goals and targets?*
10. *What form and structure should SDGs have? How should economic, social, and environmental dimensions, as well as the inter-linkages between them be addressed?*
11. *How can it be best ensured that SDGs and their monitoring are science based?*
12. *How can one make sure that the SDGs will be relevant and will act as a stimulus to all countries (developed, emerging, developing)? How will they contribute to mobilizing action?*
13. *In what way should the SDGs relate to stimulating the inclusive Green economy?*
14. *How do you see the relationship of SDGs to future goals following up on the Millennium Development Goals (MDGs) that are likely to be developed under the post 2015 development agenda?*

In our view Sustainable Development Goals (SDGs) should be built around cross-disciplinary themes such as water, energy and land rather than separate pillars of economy, environment and social development. The goals need to meet three requirements, notably the goals

- a) have to be coherent with the established concept of sustainable development, i.e. the goals should integrate and balance social, economic and environmental dimensions to promote synergies and avoid trade-offs among the dimensions and ensure intra- and intergenerational justice;
- b) should be coherent with other (sustainable) development goals of the 'Post-2015 agenda';
- c) should warrant an integrated perspective, notably regarding the water-energy-land nexus as elaborated in the 2012 European Report on Development (ERD) which demonstrated clearly that water, energy and land as well as related ecosystem services cannot be seen as independent resources.

Water, energy and land are key resources for sustainable development and to satisfy basic human needs. They maintain many life-supporting functions, e.g. climate stabilisation and regulation of the hydrological cycle, and are important inputs to the economic system. Access to these resources and their efficient management is an essential prerequisite for sustainable development. However, against the backdrop of population growth, increasing standards of living, changing diets and consumption patterns, and urbanisation water and land as well as resources that fuel the energy system (fossil fuels, timber) are under pressure and challenged by human-induced impacts (e.g. land degradation and desertification, climate change, water and nutrient depletion).

Another argument that points to the inclusion of water, energy and land is that a consensus might be reached on these topics more easily. Water, land related issues (incl. agriculture, forest, biodiversity, desertification, land degradation and drought) and energy were key subject areas in the preparatory process of the Rio+20 conference. This is reflected by their prominent role in the Rio+20 outcome document (TFWW) and in many other publications debating a post-2015 agenda. The scarcity, degradation or pollution of water, land and energy-related resources are universal problems that affect all countries regardless of their status as developing, emerging or industrialised country.

When searching for adequate goals and targets in the area of water, energy and land the EU should resort to and capitalise on the outcomes of other international processes or negotiations. For instance, the UN Secretary General's Sustainable Energy for All (SE4ALL) initiative is an illustration of what an SDG could look like for the energy sector. The initiative has already gathered substantial support, including three specific targets for 2030: 1) universal access to modern energy services; 2) doubling the rate of energy efficiency improvements; 3) doubling the share of renewable energy in the energy mix (from 15% to 30%).

Likewise, regarding land, the UN Convention to Combat Desertification (UNCCD) has called for land degradation neutrality. The UNCCD initiative comprises the goal "Sustainable land use for all and by all

(in agriculture, forestry, energy, urbanization)" and also advances three pertinent targets: 1) zero net land degradation by 2030; 2) zero net forest degradation by 2030; 3) drought policies and drought preparedness implemented in all drought prone regions/ countries by 2020.

In our understanding the quest for a green economy is not an end in itself, but a means to achieve the overarching objective of sustainable development. Hence, meaningful SDGs will invariably make a contribution to an inclusive Green Economy. Accordingly, the negotiation of prospective development goals that would be inconsistent with an inclusive Green Economy should not qualify to be labelled as "sustainable development goals" in the first place.

From a methodological perspective this suggests that the prospective SDGs should be presented as operational objectives. While aggregated goals necessarily remain rather abstract, specific objectives are easier to grasp and to communicate. These objectives should be phrased as specifically as possible, including deadlines, baselines, and explicit ceilings or thresholds. Linguistic clarity and specificity add to transparency and allow measuring progress or lack thereof easily. Yet, the SDGs should not only aim at quantitative but also qualitative outcomes. In order to integrate all dimensions, it is necessary to add second-order conditions. These conditions should define lower bounds as thresholds of the positive externality to be achieved and upper bounds as limits of possible negative externalities.

The issues of consistency and methodology will also need to be considered more strongly in ongoing debates regarding the relationship of MDGs and SDGs and the post-2015 development agenda. Indeed, both MDGs and SDGs should be conceived and implemented in a way that is consistent with the objectives of global sustainable development. So far, the MDGs and the concept of SDGs have much in common in terms of structure and contents. Yet, MDG proponents worry that poverty reduction will take a backseat on an all-encompassing SDG agenda in which poverty reduction would be one issue among many others. Conversely, SDG proponents criticise the MDGs for having too narrow a concept of development and for preferring immediate results over socially, economically and ecologically sustainable ones.

What needs to be avoided is two parallel, uncoordinated processes that exclusively pursue either MDGs or SDGs. Indeed, it is necessary to establish an integrated agenda that accounts for both the concern to eradicate poverty and the concern to achieve global sustainability. On the one hand, this agenda should be much more comprehensive than the original MDGs have been to adequately reflect sustainability concerns. On the other hand, the multidimensional character of poverty and its interdependence with sustainable development must not be marginalised on the new agenda.

To ensure that both criteria are met a twofold international development agenda should be adopted, aiming at final goals of human development on the one hand and at the creation or protection of global public goods that are quintessential to human development on the other hand. The latter would expand on the original MDG 8 and also contain all those goals that the global community can only achieve through cooperation. The former would build on the original MDGs 1-7 and complement them with suitable SDGs that remain neglected on the MDG agenda.

Such a functional division would make sense, because (i) the goals on either side of the agenda are conceptually different; (ii) improvements for the former will primarily be measured at national and sub-national levels (even as they are globally aggregated), whereas the latter generally relate to the global level; (iii) both sides are inextricably linked, if the ultimate quest is for inclusive and sustainable global development.

IV. Financing Strategy for Sustainable Development

15. What should be the main elements covered in financing strategies for sustainable development? Could, for example, thematic strategies such as the Biodiversity Resource Mobilization Strategy be a useful starting point?
16. What are some of the most effective financing and resource mobilisation schemes to date, such as public or private schemes, micro-financing, climate change and biodiversity financing? How can they be scaled up?
17. What are the most effective ways of encouraging investment? Where possible, link your replies to questions on the inclusive Green economy.
18. How should coherence, coordination and non-duplication of efforts be ensured with regard to the Financing for Development process and other relevant processes?

Designing and implementing a coherent and coordinated strategy with respect to financing for development is challenging. On the one hand, the scale of development financing required to tackle urgent development (including climate change related) challenges is enormous, so that funds need to be mobilized from a broad range of development financing sources, including through innovative financing mechanisms. On the other hand, the proliferation of financing sources, instruments and disbursement mechanisms risks giving rise to inefficiencies, coordination failures, duplication of efforts and higher transaction costs, in particular as financing for sustainable development requires actions by both private and public players on the local, regional and global level.

The EU can take several steps to ensure that developing countries benefit from the increased variety of development financing sources and contribute to a more coherent and coordinated financing strategy for sustainable development. In particular, the EU should

- a) encourage steps to **avoid a duplication of efforts** by creating additional parallel fund structures for development financing. The plethora of climate funds emerging in recent years is a case in point. Broadening the mandates of existing institutions like the newly established Green Climate Fund rather than creating additional institutions could help to reduce duplication.
- b) further **deepen multilateral dialogue** and forge cooperation mechanisms **with emerging powers** to ensure that South-South-Cooperation and development cooperation complement each other in the Financing for Development process. One key element in this process is to encourage greater transparency in reporting development assistance related flows for all actors, including traditional donors and providers of South-South Cooperation.
- c) **look beyond development cooperation** at other external policies, such as financial and trade policies. These policies can have enormous impacts on sustainable development financing in developing countries. For instance, limited international cooperation in tackling Illicit Financial Flows from developing countries constrains domestic resource mobilization in developing countries. Enhanced technical cooperation on public financial management could help developing countries to curb cash flight as well as improving domestic capacities.

If these general principles are adhered to, resource mobilization and investment strategies promise to enhance coherence in the financing for development and to deliver significant co-benefits for sustainable development, notably in policy areas that are inextricably linked to meeting the challenges of biodiversity and climate change as well as those that relate to public procurement. For instance, the **Biodiversity Resource Mobilization Strategy** under the Convention of Biodiversity (CBD) is an interesting example to foster the implementation of the CBD'S Strategic Conservation Plan. The negotiations within the CBD helped to mobilize significant resource flows and started a process to support countries in designing country-specific resource mobilization strategies.

Likewise, the emergent **climate finance architecture** can be conceived as an important cornerstone for the financing of sustainable development strategies and, indeed, actions. While the exact level of

resources that will eventually be mobilized as climate finance is hard to predict, it is apparent that it will be in excess of current levels of ODA. Hence, significant investments in developing countries will result from the implementation of internationally agreed climate policy, both with a view to mitigation strategies and with a view to adaptation strategies.

As an important donor of both climate finance and traditional ODA, EU development policy should seek to properly align its climate and development policies to ensure that resources mobilized and disbursed as climate finance are actually consistent with the objectives of sustainable development. Concurrently, it should assist receiving developing countries to build the capacities that are required to capitalize on the prospective benefits of climate finance, i.e. to access climate finance in the first place, to align corresponding resource flows with national priorities for sustainable development, and to efficiently absorb these additional resources.

Moreover, DIE strongly underscores the **leverage potential of public procurement** policies to further encourage and channel investments into global sustainable development as recommended, for instance, by the High-level Panel on Global Sustainability. Public procurement spending in developed countries amounts to roughly 15% of GDP and can be employed to set social and environmental standards for products as well as services. Sustainability-oriented public spending can thus provide the necessary impetus to establish sufficiently large markets to enable economies of scale. Indeed, recent experiences have demonstrated sustainable public procurement to influence the private business sector, to reshape value chains and to build markets for green products and services even beyond the public sector.

Indeed, the EU has valuable experience with the management of public procurement processes, especially regarding its structural funds. If the EU and its member states were to increase their efforts to ensure consistent public procurement in a manner that is commensurate to the objectives of global sustainable development this would in itself make for a formidable contribution towards the establishment of a green economy. Besides, it would send a strong signal regarding the EU's credibility in its case for a green economy at the international level. Ultimately, if developing countries were to emulate such policies, this could be expected to generate considerable momentum for a global green economy as the relative share of public spending tends to be higher in developing countries.

V. Institutional Framework for Sustainable Development

19. *What measures would you see best taken to ensure that the EU effectively contributes to the implementation of these outcomes?*
20. *Do you think the participation of civil society, social partners, and other stakeholders should be strengthened? If so, how internationally and within the EU?*

The Rio+20 decisions on the strengthening of the Institutional Framework for Sustainable Development (IFSD) clearly lagged behind what was initially called for, even as it was formally decided to

- a) strengthen UNEP, and
- b) to replace the CSD with a new High Level Political Forum (HLPF) on sustainable development.

Moreover, the specific implementation of these decisions is still pending and likely to be subject to intergovernmental horse-trading. To make the most of the envisaged institutional reforms, the EU should bring its weight to bear for the benefit of an ambitious implementation of both the strengthening of UNEP and the establishment of the HLPF.

First and foremost, the EU should warrant that the new HPLF does not reinvent the flaws that hampered the efficiency and effectiveness of the old CSD from the outset. One way to achieve that will be to actually consider it as *high-level* and to treat it accordingly, i.e. through commensurate institutional support and political representation. On this basis the EU should exert leadership to enable the new forum to fulfil two key functions that CSD was unable to deliver, i.e. (i) to provide authoritative guidance to all relevant UN institutions regarding policy integration with a view to achieving a balance between social, economic and ecological policy objectives, (ii) safeguarding the former by setting binding targets, and (iii) establish effective supervisory and review procedures.

Likewise, the decision to grant UNEP universal membership is hardly an end in itself but should be a means to enhance the political clout and authority of its decisions. Accordingly, EU representation in the new UNEP-GC should be as high-level as possible, i.e. including as a rule the Commissioner for the Environment and ministerial-level representatives of EU member states. Concurrently, the EU and its member states should strengthen UNEP as well as their own credibility and authority in its Governing Council through the sustained provision of adequate and predictable funding to UNEP's Environment Fund and by restraining the use of 'earmarked contributions' in doing so.

With regard to stakeholder participation and the mobilisation of civil society the EU should advocate the benefits of instruments such as the **Aarhus Convention**, which obliges its member states to advise their citizens of environment-related projects and policies and provides civil society with means to participate, to access information and to seek legal recourse. As the Aarhus Convention so far applies to Europe only, the EU is in an outstanding position to make a strong and credible case in this respect.