

**Linking economic growth  
and sustainable development:  
Strategies, initiatives and activities on the  
international, EU and national level**

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## Introduction

The recent financial and economic crises and the challenges posed by climate change have both gained much attention in international organisations and governments. The nature of this crisis situation has led to a questioning of the hegemony of economic growth as the prerogative policy objective. Thus, reflections on how to reach a more sustainable path in economic development have been reinforced. As part of this reflection process, strategies, initiatives and activities that aim to link economic growth and sustainable development have been developed or are being currently developed on different political levels.

The first ESDN case study provides an overview of some of these strategies, initiatives and activities at the international, EU and Member States level. The case study includes UNEP's Green Economy Initiative, the OECD's work on green growth and the development of the Green Growth Strategy, the 'EU 2020' strategy, the 'Growth in Transition' initiative in Austria, the Smart Economy Strategy of Ireland and the 'Prosperity without Growth' report of the UK Sustainable Development Commission. This overview and initial analysis focuses on several aspects: development process, understanding of growth and its relation to sustainable development, objectives and topics covered, governance mechanisms and tools for implementation. The case study is based on work previously undertaken for the [ESDN Quarterly Report of December 2009](#) and an in-depth document analysis of the respective strategies and initiatives.

We would like to point out that this case study report does not include conceptual reflections and linkages of economic growth and sustainable development. This has been comprehensively covered in the ESDN Quarterly Report of December 2009 and in the academic literature (e.g. Baumgärtner & Quaas, 2010; Rapp Nilsen, 2010; Martinez Alier, 2009; Rodrik, 2008; Baumol et al, 2007; Spangenberg et al, 2002; Daly, 1996). The report contains instead an in-depth reflection on objectives, topics, processes and governance mechanisms. At the end of the report, we provide a table that compares the different strategies, initiatives and activities along various aspects listed above and a conclusion.

## UNEP: Green Economy Initiative

### Development Process

The [Green Economy Initiative \(GEI\)](#) was initiated by the [United Nations Environment Programme \(UNEP\)](#) and has been developed together with numerous experts from other UN organizations, academic institutes, think tanks, businesses and environmental groups. This network has been based on exchange of information and expertise on how to manage the transition towards a green economy. Envisioned as a two-year project, the GEI has been expanded to include a number of related UNEP and UN-wide initiatives. These initiatives focus on providing macro-economic evidence for significantly increasing investments in environmental issues as a means of promoting sustainable economic growth, decent job creation, and poverty reduction.

In light of the current financial crisis and in the framework of the GEI, UNEP has also launched the [Global Green New Deal \(GGND\)](#) in early 2009. The GGND aims to make a change in restructuring economies towards a greener development path through the use of fiscal stimulus packages (UNEP, 2009a). The GGND was prepared in consultation with over 20 UN agencies and intergovernmental organizations and shared with members of the G20 meeting in April 2009 (“London Summit”). UNEP followed-up on the initial GGND policy brief with a [Global Green New Deal update](#) (UNEP, 2009b) that was launched during the G20 meeting in September 2009 (“Pittsburgh Summit”).

### **Understanding of economic growth and its relation to sustainable development**

Both, the GEI and the GGND, deal with green investments in technology and in renewable energy in various sectors as new engines for economic growth that should lead to higher environmental protection, generating more jobs and reducing poverty. They explicitly mention as their aim the further promotion of sustainable economic growth, based on green investments and technologies (UNEP, 2009a; UNEP, 2009b). As regards the social aspects of growth, the “job creation” function of green economic growth and the various incentives in education and training are regarded as instrumental for social inclusion. The emphasis here is on actors such as businesses, educational institute, universities, business schools and governments in offering incentives and funding in education and knowledge-building (UNEP, 2009a). As regards consumption driven growth, the GEI argues that the “achievement of the desired levels of human well-being, reduced poverty, sustainable trade [...] is less likely if the production and consumption patterns of 20th century are continued” (UNEP, 2009a, 25). However, the GEI only refers to higher efficiency as tool for combating environmental degradation.

The GEI and GGND offer recommendations to governments how to move to a greener economic development path by sustaining economic growth and increasingly taking on board environmental protection and social issues (UNEP, 2009a). Therefore, the GEI and GGND refer to a ‘weak sustainability position’ (Daly, 1996) where economic growth and environmental protection are understood as synergetic objectives and where higher efficiency is regarded as a way out of the growth dilemma (i.e. pursuing economic stability, while at the same time reducing resource use and emissions). However, as the ‘rebound effect’ shows, efficiency through technological modernisation may not lead to favourable outcomes because current consumption patterns in industrialised countries stand against an absolute reduction of emission and resource use (Sedlacko & Gjoksi, 2009).

### **Objectives and topics covered**

The Green Economy Initiative (GEI) is designed to assist governments in “greening”<sup>1</sup> their economies by reshaping and refocusing policies, investments and spending towards a range of sectors, such as (1) clean technologies, (2) renewable energies, (3) water services, (4) green transportation, (5) waste management, (6) green buildings and (7) sustainable

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<sup>1</sup> Greening the economy refers to the process of reconfiguring businesses and infrastructure to deliver better returns on natural, human and economic capital investments, while at the same time reducing greenhouse gas emissions, extracting and using less natural resources, creating less waste and reducing social disparities



agriculture and forests (UNEP 2009a; UNEP 2009b). The aim is to change the policy architecture in the long-term in order to achieve a low-carbon economy without social disparities.

In comparison to the GEI, the Global Green New Deal (GGND) identifies similar sectors (i.e. sustainable transport, energy efficient building, sustainable energy, agriculture and freshwater) in which the greening of the economy should be realised through fiscal stimulus packages. The GGND has the overall objective to contribute to multi-lateral and national efforts to address in the short-term the current financial crisis and its social, economic and environmental impacts. At the same time, the inter-connected global climate, food, fuel and water challenges should be addressed that threaten society in the medium-term. The GGND has three main goals which are focussed more on the short-term interventions through the fiscal stimulus packages: (1) Reviving the world economy, creating employment opportunities and protecting vulnerable groups; (2) reducing carbon dependency, esteem degradation and water scarcity; (3) furthering the Millennium Development Goal of ending extreme world poverty by 2015.

### **Governance mechanisms and tools for implementation**

UNEP and various other UN organisations stand behind the Green Economy Initiative (GEI) and work in partnership with national governments, the private sector actors, NGOs, consumer groups and various experts. Through these partnerships, UNEP has established a network of decentralised, non-hierarchical and horizontal relations with different stakeholders which is based on co-operation and trust. The aim is to assist governments in reshaping their sectoral policy architecture in order to green their economies in the long-term through exchange of resources (e.g. information, expertise, funding) amongst the various stakeholders.

The tools for this exchange can be categorised as soft policy tools that are defined by their non-binding, cooperative, educational and informative character (Treib et al, 2007; Lafferty, 2004). The implementation tools of the GEI can be clustered in three main groups:

- (1) *Advisory services* to countries interested in greening their economies, by providing them with technical assistance services and coordination for regional and country level efforts in this matter;
- (2) *Research products*, such as the development of GEI's flagship product, the Green Economy Report (which will be published in 2010, and is built on Global Green New Deal Policy Brief and the Green Jobs Report) or The Economics of Ecosystems and Biodiversity (TEEB) series of reports;
- (3) *Partnerships* to effectively promote and implement green economy strategies.

The collaboration with stakeholders in the various attempts of greening the economy requires global efforts. These efforts are to be handled through cooperative tools such as joint efforts and guidelines, which are being harmonised at the international level through joint statement<sup>2</sup>. Since greening the economy is primarily a matter of national governments

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<sup>2</sup> In June 2009, for example, UNEP, together with more than 20 UN agencies, the IMF and the World Bank, issued a [joint statement on green economy](#) which noted that the current financial and economic crisis requires

and national sectoral policies, UNEP works with various governments in helping them to implement green economic strategies (e.g. South Korea). Moreover, UNEP has also been working closely with civil society organisations and the business community. Most recently, it supported the establishment of a [Green Economy Coalition](#), which is comprised of environment, development, business and labour groups to call on the G20 nations to follow through on their pledges to accelerate the transition to a green economy and secure a visionary global deal on climate change. Through the [UNEP Finance Initiative](#), the GEI has also been reaching out exclusively to the business sector and key financial institutions.

The GGND shows the same characteristics as the GEI in terms of governance, but it directly addresses the G20 countries which are the main environmental polluters (UNEP, 2009a). The proposed tools in the GGND policy brief (UNEP, 2009b) are grouped under three categories:

- (1) *targeted stimulus spending* in 2009-10;
- (2) *changes in domestic policies*: legislation, subsidies, introducing fiscal measures like taxes and incentives to promote greater use of renewable versus fossil fuels, public transport versus private cars, etc; and
- (3) *changes in international policy architecture*: international trade, international aid, a global carbon market, global markets for ecosystem services, development and transfer of technology, and international coordination for a GGND.

## **OECD: Work on Green Growth**

### **Developments Process**

The world main economies, represented through their ministries in the OECD ministerial council, gathered in June 2009 at a Ministerial Council Meeting (MCM) to discuss “green growth” as a potential way out of the economic crisis and to open up new prospects for the climate change negotiation in the Copenhagen Summit of Climate Change in late 2009. Ministers from all 30 OECD countries<sup>3</sup> as well as Chile, Estonia, Israel and Slovenia signed a [Declaration on Green Growth](#) (OECD, 2009a) and endorsed a mandate for the OECD to develop a Green Growth Strategy (GGS).

The development process of the OECD’s Green Growth Strategy is initiated by the OECD member countries and will be developed as a horizontal project by various committees and directorates of the OECD (OECD, 2009b). The development process can be categorised as top-down as other governance authorities at local and regional level and various stakeholders groups (e.g. civil society organisations, businesses) are not directly included. A

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a collective response from the global community that lays a solid foundation for shared growth and sustainable development.

<sup>3</sup> Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Spain, Sweden, Switzerland, Turkey, the United Kingdom, the United States (see [OECD homepage](#)).

final report on the GGS will be delivered at the 2011 MCM, with an interim report being prepared for the June 2010 MCM (OECD, 2009c). The GGS is aimed to serve as an orientation document for policies at the national level of OECD member countries.

### **Understanding of economic growth and its relation to sustainable development**

Green growth is identified in the OECD Brochure on Green Growth (OECD, 2009c) as the means by which the current economy can make the transition to a sustainable economy. According to this document, the engines of green growth are investments in environment or so called 'green investments' (OECD, 2009c). Though the OECD Brochure on Green Growth recognises that in the recent years "most countries have not succeeded in meeting their own national commitments to decrease their GHG emissions" (OECD, 2009c, 1), 'decoupling' is considered as an efficient tool to achieve economic growth and less resource usage. It has not been clarified yet however, what countries should do differently in the future to achieve 'decoupling'.

Since the Green Growth Strategy is still under development, there is only little information available on the linkages of economic growth and sustainable development. However, in the OECD Brochure on Green Growth, the need for a new model of growth is stressed "that is much less intensive in natural resources and that can lead to social well-being and poverty reduction in both developed and developing countries" (OECD, 2009c, 2). For meeting the requirements of this new model, no further specifications are provided, e.g. concerning the changes of current economic development model or economic structure in Western countries. Regarding the social dimension, the OECD Declaration on Green Growth argues that green growth generates new potentials for education and job creation in new green sectors of the economy. Green growth is observed as functional for meeting the employment and social inclusion goals on the labour market (OECD, 2009c).

To sum up, based on the OECD Declaration on Green Growth and other work of the OECD on this topic, green growth is identified as a means for a sustainable economic path and as a "win-win policy solution" for achieving a low-carbon and inclusive sustainable development, while also creating opportunities for climate change mitigation and job creation (OECD, 2009b, 3). When analysing the proposals made in the OECD Brochure on Green Growth (OECD, 2009b), one can discern a 'weak sustainability position' because consumption-driven economic growth and environmental protection are understood as synergetic objectives through 'decoupling' and 'higher efficiency'.

### **Objectives and topics covered**

The overarching goal of the Green Growth Strategy, as outlined in the OECD Brochure on Green Growth, is to identify "a policy framework that blends economic, social and environmental policy objectives for the most efficient shift to a sustainable world economy" (OECD, 2009c, 2). This should happen in the short-term through the fiscal packages that should allocate new green investments in crucial sectors of the economy and in the long-term by building an environmentally friendly infrastructure (OECD, 2009a, 2).

The topics which will be covered in the strategy are still under development, but the OECD Declaration (OECD, 2009a) on Green Growth and the Brochure on Green Growth (OECD,

2009c) identify priority areas which could be included in the forthcoming strategy, such as (1) climate change, (2) poverty reduction, (3) sustainable management of resources, (4) sustainable consumption and production, (5) energy security, (6) education, (7) trade, and (8) governance. In order to address cross-sectoral challenges, the development process of the Green Growth Strategy is one of the OECD's horizontal projects that draws on the expertise of 25 OECD committees.<sup>4</sup>

### **Governance mechanisms and tools for implementation**

The Green Growth Strategy aims to include implementation prescriptions for the international and national level: At the international level, the OECD will offer a platform for co-ordination and dialogue through the International Green Growth Dialogue initiative. For a better coordination between the international and national level, various policy instruments are aimed to coordinate the work:

- a) setting key policy principles for the transition to a green economy,
- b) providing a policy toolkit,
- c) evaluating green growth policies at the national level,
- d) developing green growth indicators,
- e) undertaking peer review, and
- f) sharing best practices and lessons learnt among OECD member countries.

Subsequently, the OECD Strategy on Green Growth will serve as a policy framework for the national policies, providing a flexible implementation approach of the strategy at the national level in order to adapt these policy tools to the different national contexts, e.g. investments, taxes, innovation, technology, trade, employment and education (OECD, 2009c). Implementation of the strategy at the national level will be monitored and assessed through peer reviews, green growth indicators and shared best practices (OECD, 2009c).

This governance mechanism is called *Open Method of Coordination (OMC)* that is characterized by a high level of discretion and low-level of obligation in the policy instruments between the international and national level (Schäfer, 2006). The OMC is used by the OECD as a governance method in a multi-level, decentralized policy decision-making system. It aims to achieve coordination and policy cohesion across the government levels and a proper implementation of policies/strategies.

## **European Union: 'Europe 2020' strategy**

### **Development process**

The "[Europe 2020](#)" strategy was published on 3 March 2010 and will be the successor of the Lisbon Strategy, the 10-year development program that included the strategic goal of the EU

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<sup>4</sup> The OECD is implementing an increasing number of horizontal programmes and projects, which bring together the interdisciplinary skills of several OECD Committees and Directorates, while also promoting interactions across ministries and greater policy coherence in OECD countries (OECD 2008).

“to become the most competitive and dynamic knowledge-based economy in the world” (European Council, 2000, para 5). The results of the Lisbon Strategy have been mixed and its main targets have not been reached (European Commission, 2010a). With the incoming new European Commission and as a response to the economic and financial crisis, a new 10-year development strategy of the EU has been proposed by the Commission and will be decided by the heads of state of the EU-27 at the European Council meeting in Brussels on 25-26 March 2010.<sup>5</sup>

For the “Europe 2020” strategy development, a consultation process was launched by the European Commission in November 2009. The consultation document outlined three key priorities – creating value by basing growth on knowledge, empowering people in inclusive societies and creating a competitive, connected and greener economy – on what was then called “EU 2020” strategy and proposed ways how to achieve them (European Commission, 2009). The consultation process was open until 15 January 2010. In total, the Commission received around 1,400 responses from a variety of stakeholder groups, i.e. national and sub-regional authorities, EU-level bodies, trade unions and business associations, NGOs as well as think-tanks and universities. All contributions can be accessed at [a special section](#) on the Commission homepage. Moreover, an overview paper on the responses received during the consultation phase was put together (European Commission, 2010b). It is argued in there that “the Commission has carefully analysed all responses and will strive to take them into account as it prepares its proposal for the upcoming European Council” (ibid, 3).

### Understanding of economic growth and its relation to sustainable development

The “Europe 2020” strategy can be seen as a strategic and coordinated attempt of the EU to face the challenges posed by the recent economic and financial crisis. Economic growth is still defined as the major objective and generally not questioned. However, ‘transformation’ and ‘interrelated issues’ are terms often used that may point towards a more integrative approach of growth and its relation to sustainable development: the subtitle of the strategy refers to “smart, sustainable and inclusive growth”.

In its introductory chapter, the “Europe 2020” strategy points out that economic crisis has been “a huge shock” and wiped out “steady gains in economic growth and job creation” (European Commission, 2010c, 5). Moreover, it is argued that the crisis “made the task of securing future economic growth much more difficult” (ibid, 5). The strategy constitutes that the crisis showed some problem areas and that there were “many areas where Europe was not progressing fast enough relative to the rest of the world” (ibid, 5): (a) Europe’s average growth rate has been structurally lower, compared to competitors, due to a productivity gap, (b) employment rates have been significantly lower and (c) demographic ageing has been accelerating since many years.

The strategy presents the argument that the “the biggest challenge is to escape the reflex to try to return to the pre-crisis situation” (European Commission, 2010c, 5) and that facing up to the immediate and long-term challenges of recovery would be important to “make up for

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<sup>5</sup> In March 2010, the European Council is going to decide on the overall approach and main targets of the strategy. In June 2010, details aspects of the strategy, including the integrated guidelines and national targets will be decided by the European Council.

the recent losses, regain competitiveness, boost productivity and put the EU on an upward path of prosperity” (ibid, 6). As an exit out of the crisis and as a way forward towards a new economy, the “Europe 2020” strategy proposes a “smart, sustainable and inclusive growth” (ibid, 8).

### Objectives and topics covered

The “Europe 2020” strategy put forward by the European Commission is based on three priorities and accompanying ‘flagship initiatives’ (which define actions at the EU and Member State levels):

- 1) *Smart growth* refers to strengthening knowledge and innovation as drivers for future growth. The strategy points out that the EU should be particularly active in three areas:
  - *Innovation*: apart from increasing the total amount of R&D spending (currently below 2 % in the whole EU), focus should be put on the composition and impact of research spending as well as on improved conditions for private sector R&D. The flagship initiative is called, “Innovation Union”, and aims to refocus R&D and innovation policy on current societal challenges, e.g. climate change, energy and resource efficiency, health, etc.
  - *Education, training and life-long learning* should be intensified. The flagship initiative is called “Youth on the move” and aims to increase the quality of education on all levels.
  - The *digital society* is another area which should be further development, particularly information and communication technologies. With the flagship initiative, “A Digital Agenda for Europe”, economic and social benefits from a Digital Single Market should be achieved.
- 2) *Sustainable growth* aims at “building a resource efficient, sustainable and competitive economy, exploiting Europe’s leadership in the race to develop new processes and technologies (...) and reinforcing the competitive advantages of our businesses” (European Commission, 2010c, 12). Two areas are considered of main importance in this priority:
  - Improving *competitiveness* of the EU compared to its main trading partners through higher productivity and maintaining a lead role in the market for green technologies. The flagship initiative, “An industrial policy for the globalisation era”, aims to improve the business environment for companies and to support a sustainable industrial base to compete globally.
  - *Climate change and energy* refer to reducing GHG emissions, exploiting fully the potential of new technologies, energy security, the use of renewable energy sources and increasing energy efficiency. In the flagship initiative, “Resource efficient Europe”, the aim is to support a shift towards a low-carbon economy and to decouple economic growth from resource use.
- 3) *Inclusive growth* aims at empowering people through high levels of employment, increased skills, fighting poverty and modernising labour markets. The areas identified for the need of action are:



- *Employment and skills* refers to raising the total employment rate within the EU and requiring new skills through life-long learning in larger parts of the population. With the flagship initiative, “An Agenda for new skills and jobs”, conditions for modernising labour markets to raise employment levels and to ensure the sustainability of the European social model should be created.
- More efforts should be undertaken to *fight poverty*. The flagship initiative, “European Platform against Poverty”, should not only ensure economic, social and territorial cohesion but should also combat poverty and social exclusion.

In order to achieve the set priorities, the “Europe 2020” strategy presents five headline targets:

- An employment rate of at least 75 % of the population aged 20-64.
- Achieving the target of 3 % GDP investment in R&D.
- Achieving the “20/20/20” objective in climate change and energy: 20 % GHG reduction compared to 1990, 20 % share of renewable in total energy consumption, and 20 % increase in energy efficiency.
- Reducing the share of early school leavers to 10 % which increasing the share of the population (aged 30-34) having tertiary education to 40 % in 2020.
- Reducing the number of EU citizens who live below the national poverty lines by 25 %.

The objectives of the “Europe 2020” strategy show that a more integrative approach towards economic development is envisioned which also takes into account environmental as well as work-related and social issues. The approach suggested for linking growth and sustainable development is largely characterised by innovation, a technological orientation and a mix of different objectives (e.g. high-quality education, tackling climate change, energy efficiency, poverty reduction, etc) which would require strong efforts towards policy integration in the implementation phase.

### Governance mechanisms and tools for implementation

In order to achieve the priorities and objectives outlined in the “Europe 2020” strategy, a governance framework is defined. This comprises an architecture for implementation and an overview of responsibilities of involved policy levels, institutions and actors.

It is proposed to organise the strategy implementation in terms of a thematic approach and country surveillance. The *thematic approach* refers to the three priorities of the strategy and, in particular, the delivery of the five headline targets (see above). As instruments for achieving this, the “Europe 2020” programme and the flagship initiatives should be the main instruments. Efforts on the EU and Member States level will be required to put the strategy objectives into practice, some of them already described in the strategy itself. Additionally, *country reporting* should help Member States “do define and implement exit strategies, to restore macro-economic stability, identify national bottlenecks and return their economies to sustainable growth and public finances” (European Commission, 2010c, 25).

The strategy suggests two instruments for the implementation of the strategy: A small set of ***integrated “Europe 2020” guidelines*** should replace the 24 existing guidelines. Additionally,

**policy recommendations** should be addressed to the Member States – both for the thematic approach and the country reporting. The recommendations regarding the thematic approach would provide detailed advice on micro-economic and employment challenges, while the recommendations regarding country reporting would address issues with significant macro-economic and public finance implications. Recommendations are intended to be “precise and normally provide a time-frame within which the Member State concerned is expected to act (e.g. two years)” (European Commission, 2010c, 26). Compared to the Lisbon Strategy governance process, these recommendations are not only going to have a much more comprehensive role in the “Europe 2020” strategy process, but their compliance will be monitored also more strictly: “If a Member State, after the time-frame has expired, has not adequately responded to a policy recommendation of the Council or develops policies going against the advice, the Commission could issue a policy warning” (ibid, 26).

In terms of **responsibilities in the implementation phase**, it is proposed that the European Council provides overall guidance and steering for the strategy. This should ensure the horizontal (between different policy sectors) and vertical (between different tiers of government) integration of the strategy process. The European Commission is supposed to monitor strategy implementation in an annual report. The report should assess the meeting of the headline targets and assess the country reports as well as stability and convergence programmes. Issuing policy recommendations and, if necessary, warnings will also be part of the Commission’s role. The European Parliament’s role is described not only as co-legislator but as “a driving force for mobilising citizens and their national parliaments” (European Commission, 2010c, 27). National and sub-national governments are called for implementing the strategy by developing national reform programmes. With regards to the stakeholder and civil society community, the European Economic and Social Committee (EESC) and the Committee of the Regions (CoR) are mentioned and both should be closely associated in the strategy process. The “Europe 2020” strategy points out that “exchange of good practices, benchmarking and networking (...) has proven another useful tool to forge ownership and dynamism” in the context of implementing previous and current EU strategies.

## **Austria: ‘Growth in Transition’ initiative**

### **Development Process**

‘Growth in Transition’ was initiated by the [Austrian Federal Ministry of Agriculture, Forestry, Environment and Water Management](#) in cooperation with the Sustainable Europe Research Institute (SERI) and a consultancy ([Karuna Consult](#)). The initiative is generally conceptualised as a stakeholder dialogue and involves partners from various sectors: other national ministries (Federal Chancellery as well as the ministries of labour, finance, science, and economy), Austrian chamber of commerce and federation of industries, two Austrian regional authorities, NGOs, an international company (REWE Group) and the Club of Rome.

The initiative has started in 2008 and, so far, [four workshops](#), a book presentation and an [international conference](#) have been organised that involved policy-makers, researchers, experts and several stakeholder groups to collect ideas and suggestions on what kind of growth is perceived as sustainable in terms of environmental and social aspects.



## Understanding of economic growth and its relation to sustainable development

In the framework of the 'Growth in Transition' initiative, an edited book was compiled to discuss the possibilities of a qualitative growth entitled, [“What kind of growth is sustainable?”](#). Generally, the book argues that economic growth is fundamental for securing jobs, international competitiveness and tax revenues of a state, but there is a need for a qualitative growth more compatible with sustainable development. The alternative kind of growth suggested in this book should comply with sustainable development aspects: this means that the provision of services and utilities, which increase human well-being, should be designed in such a way as not to reduce the natural stock per capita. In order to overcome a market-oriented consideration of economic activities, an approach should be chosen which, besides real and financial capital, should also include natural, human and social capital. An increase in quality-of-life, along with a positive subjective perception of people, should become the focus and the objective of qualitative growth. The need for infinite economic growth, for competition in markets and for social status usually fosters resource consumption and may ultimately lead to addictive consumption behaviour. Therefore, the book calls for changes in social structures and in the logics of consumption-driven growth. It, therefore, poses substantial questions to the current economic and societal model.

To sum up, the Austrian 'Growth in Transition' initiative questions traditional forms of growths and aims to develop an innovative approach to growth that is driven by sustainable development characteristics.

## Objectives and topics covered

The 'Growth in Transition' initiative involves different institutions which organize activities focusing on the same core issue but from different angles. Therefore, the initiative aims to raise awareness among the policy-makers and stakeholders on the link of economic growth and sustainable development and intends to trigger a dialogue among institutions and stakeholders about how the transformation process towards can be shaped towards sustainability. It also aims at contributing to current EU and international processes and at informing the Austrian public about them.

The international conference, “Growth in Transition”, which was held in Vienna in late January 2010, brought together international and national experts to deepen the discussion and reflection process. The conference deliberately tackled a broad range of topics in order to involve as many stakeholders as possible. The key topics of the conference were: (1) money and the financial System, (2) growth and resource use, (3) social justice and poverty, (4) macro-economics for sustainability, (5) quality of life & measurement of prosperity, (6) work and sustainable development, (7) regional aspects, (8) governance, (9) sustainable production and consumption, and (10) sustainable management of businesses. A documentation of the conference can be found at the [‘Growth in Transition’ homepage](#).

## Governance mechanisms and tools for implementation

The 'Growth in Transition' initiative has the main objective to foster discussions and reflections among a broad stakeholder community on what kind of growth is sustainable. Although it was initiated by the Austrian Ministry of Environment, in cooperation with five other national ministries, no concrete follow-up procedures for the results of the work undertaken (in the book, workshops and international conference) have yet been specified nor have governance mechanisms and policy tools been developed to implement the results of the initiative.

## Ireland: Smart Economy Strategy

### Development process

The policy strategy 'Building Ireland's Smart Economy: A Framework for Sustainable Economic Renewal' was adopted by the Irish Government in December 2008. It sets out a set of actions to reorganise the economy over a five year period (2009-2014) and to secure the prosperity of current and future generations. The strategy provides a framework "to address the current economic challenges and to build a 'Smart Economy' with a thriving enterprise sector, high-quality employment, secure energy supplies, an attractive environment, and first-class infrastructure" (Government of Ireland, 2008, foreword).

The strategy development was initiated by the Cabinet Committee on Economic Renewal (chaired by the Prime Minister's Office) and developed with contributions from the social partners and various committee departments that participated in detailed and intensive discussions on measures of the strategy. Therefore, the strategy is consistent with the principles and visions underpinning 'Towards 2016' (the current social partnership agreement, a ten year strategic framework for economic and social development) by using the established mechanisms of the social partnership process in Ireland (Government of Ireland, 2008). The Prime Minister's Office plays an important role in acting as a link between the President, the Prime Minister and other government departments in coordinating sectoral policies. Therefore, the Prime Minister's Office, as the initiator of developing the strategy, shows a strong leadership in the development and implementation process. The development process can be categorised as a top-down process, as it is developed from the highest government level and implemented by various government levels and social partners.

### Understanding of economic growth and its relation to sustainable development

The 'Smart Economy', as defined by the strategy, "combines the successful elements of the enterprise economy and the innovation or 'ideas' economy while promoting a high-quality environment, improving energy security and promoting social cohesion" (Government of Ireland, 2008, 32). 'Smart Economic Growth' recognises the interdependence between *four forms of capital accumulation* that drive the economic and social progress of the nation: (1) human or knowledge capital – the skills, knowledge, ingenuity and creativity of people; (2) physical capital – the stock of infrastructure that is used to produce goods and services, e.g.

machinery, buildings, transport and communications networks; (3) natural or environmental capital – naturally-provided assets and the quality of the surrounding environment within which people live and work; (4) social capital – the networks, connections, mutual trust and shared values and behaviours of the population.

The “smart growth” includes the concepts of “green growth”. While, according to the strategy, a key feature of smart growth is building on the innovation or ‘ideas’ component of the economy through the utilisation of human capital, green growth in this strategy implicates a shift from fossil fuel based energy production to renewable energy and increased energy efficiency to reduce demand (Government of Ireland, 2008). The ‘new engines of growth’ are, therefore, investments in renewable energy, new technologies and innovation, combining higher productivity and higher energy efficiency through various sectors. The unsustainable consumption and production patterns are recognised mostly in the field of energy, where a change of patterns could be driven through green technologies and investments in renewable energy.

According to the strategy, the smart economy concept is consistent with “moving from an emphasis on quantitative growth to qualitative development” (Government of Ireland, 2008, 35), for following reasons: (1) It links economic growth with higher welfare and standards of living through increased innovations and resulting productivity; (2) it links economic growth with better environmental performance through investments in energy efficiency and new technologies making growth less resource intensive; and (3) it links economic growth with the social dimension (as higher productivity goes hand in hand with higher education and a contribution to a more social inclusive society)<sup>6</sup>. Moreover, the Smart Economy Strategy postulates that the economy can not grow infinitely at exponential growth rates. After recovering from the economic crisis, the economy should grow at steady rate: “The Green Economy mitigates against a ‘boom and bust’ growth path and is based on the principle of sustainable development with a steady rate of growth in an economy less prone to external shocks.”(Government of Ireland, 2008, 35)

The concept of a Smart Economy shows similarities with the capital approach of sustainable development, presented in the [ESDN Quarterly Report December 2009](#). It recognises the interdependence between the sustainability level in the various capital forms and provides information how sustainable an economy is: “A smart economy is a low-carbon economy, with sustainable development as its ultimate aim.” (Government of Ireland, 2008, 33) Nevertheless, the strategy hold a ‘technologically optimistic position’, combined with the political instruments of decoupling economic growth from environmental performance. Though some resources are exceedingly difficult and costly to reproduce with technology – such as ecosystems and the life-support services of the biosphere – the strategy supports the idea that substitutes for resources can be invented through technological modernization and higher energy efficiency. The strategy also introduces the concept of steady growth rates which should, however, not be confused with the steady state economy theory<sup>7</sup>.

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<sup>6</sup> The Smart Economy Strategy does not address all of the policy challenges which arise from the interdependence of economic and social policy issues. These are being reflected and set out in *Towards 2016*.

<sup>7</sup> The steady state economy is an entirely physical concept. Any non-physical components of an economy (e.g., knowledge) can grow indefinitely. But the physical components (e.g. supplies of natural resources, human populations and stocks of human-built capital) are constrained by the laws of physics and beholden to ecological relationships. An economy could reach a steady state after a period of growth or after a period of

## Objectives and topics covered

The strategy presents the Irish Government's vision for the next phase of Ireland's economic development which is "to make Ireland the innovation and commercialization hub of Europe – a country that combines the features of an attractive destination for innovative multi-nationals while also being an incubation environment for the best entrepreneurs from Europe and beyond" (Government of Ireland, 2008, 8). Therefore, the primary objective of this document is to outline a pathway forward which acknowledges the severe short-term economic challenge, while focusing on how to achieve a sustainable economy in the medium-term.

For serving this vision, the strategy sets out action areas for the next 5 years:

- (1) Securing the enterprise economy and promoting competitiveness in construction;
- (2) Building the ideas economy – establishing the 'Innovation Island';
- (3) Enhancing the environment and securing energy supplies;
- (4) Investing in critical public infrastructure; and
- (5) Efficient and effective public services and smart regulation

In each action area, the strategy presents a list of key actions, some very detailed with quantified goals and timeframes.

## Governance mechanisms and tools for implementation

The governance mechanisms of the strategy imply a substantial integration approach, both horizontal/cross-departmental and vertical/across all levels of government: "This strategy for Building Ireland's Smart Economy will be prioritised and driven across all levels of Government" (Government of Ireland, 2008, 105). The coordination of sectoral policies should take place across various ministerial departments and relevant ministers will need to report regularly and systematically on progress in the key action. Moreover, a task force was established by the Prime Minister in 2009 that should help in implementing the strategy. The task force is chaired by the Secretary General of the Prime Minister's Office and its members stem from businesses, academia and various government ministries. The task force met for the first time in July 2009 and is going to present a report to the Irish Government on the implementation of the strategy in March 2010.

It is important to emphasize in this context that the policy actions foreseen in the strategy are linked to existing actions, policies and strategies under the [Programme for Government \(2007-2012\)](#) and related policy documents. This is considered as essential in order to re-orientate policy around the framework on economic renewal (Government of Ireland, 2008). As for example in the various sectors, the strategy coordinates the various actions with other existing strategies as in the development of green technologies, the [Strategy for Science, Technology and Innovation \(2006-2013\)](#) or in the field of building the necessary infrastructure for a shift to green technology the actions are coordinated with the [National](#)

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downsizing or degrowth. The objective is to establish it at a sustainable scale that does not exceed ecological limits (Daly, 1996).

[Spatial Strategy \(2002-2020\)](#). This shows the interconnectedness of different sectoral and cross-sectoral strategies and a strategic public management approach in Ireland.

For the implementation of the strategy, a mix of hard and soft policy tools are applied:

- (1) Economic tools: sectorally targeted fiscal stimulus efforts, such as tax regulations, incentives for investments, a capital investment programme for a green smart economy;
- (2) Regulation: such as building regulation for higher energy efficiency and a shift to renewable energy; public transport regulation bill in order to reform the licensing to the bus market;
- (3) New action plans or strategies: in various sectors, such as in education, health, energy or transport;
- (4) Establishment of institutional arrangements: to assist in implementing the different sectoral plans.

The participation of various stakeholders, especially collaboration with the social partners in order to better link the interdependences of economic and social policy, is regarded as crucial for the implementation of the strategy. Moreover, a high-level action body on green enterprises is going to be established with the aim to develop an action plan for green enterprises in Ireland, across the various sectors of the economy.

## **UK: 'Prosperity without Growth' report**

### **Development Process**

The "Prosperity without Growth" report was published by the UK Sustainable Development Commission (SDC). The SDC is the UK Government's independent advisory body on sustainable development and in 2006 it became the Government's 'watchdog' on sustainable development, i.e. it reports on how effectively the UK Government promotes sustainable development in policy-making. In its advisory role, the SDC produces evidence-based public reports on contentious environmental, social and economic issues that it submits to the UK Government. In 2008, the SDC assigned its Economics Commissioner, Professor Tim Jackson from University of Surrey, to prepare a report that helps to rethink the current economic systems and to reflect on the link between economic growth and sustainable development. The report, ["Prosperity without Growth"](#), was published in March 2009 and is the culmination of extensive work undertaken in the work programme on 'Redefining Prosperity' which has been developed at the SDC over five years; moreover, the report builds on work from across the SDC. The 'Redefining Prosperity' programme included several workshops and seminars and involved various stakeholders (policy-making and research). The research team at the University of Surrey contributed to the evidence base of the report.

## Understanding of economic growth and its relation to sustainable development

The report analyses the relationship between growth and the growing environmental crisis and “social recession” (i.e. increasing life dissatisfaction, mental diseases) of modern societies. When analyzing the understanding of growth and its relation to sustainable development, the reports suggest that finding solution for the ‘dilemma of growth’ should be the starting point: According to the report, the social dilemma of economic growth is that growth is supposed to deliver prosperity but has in many ways failed to do so. Though there are many reasons why continued economic growth is a necessary condition for a lasting prosperity<sup>8</sup>, our ability to flourish (life satisfaction, mental health, happiness) has diminished substantially. The report defines ‘prosperity’ as “the possibility that humans can flourish, achieve greater social cohesion, find higher levels of wellbeing and still reduce their material impact on the environment” (SDC, 2009, 38). Viewed from an environmental perspective, the dilemma of growth points, on the one hand, to the desire to maintain economic stability and, on the other hand, to the need to reduce resource use and emissions: “This dilemma arises because environmental impacts ‘scale with’ economic output: the more economic output there is, the greater the environmental impact – all other things being equal.” (SDC, 2009, 76)

In this context, it is crucial to understand the sources of this dilemma. According to the report, the growth dilemma has its sources in two underlying, inter-related features of the economy cycle: the consumption and production patterns driving further economic growth. On one side, the profit motive stimulates newer, better or cheaper products and services through a continuous process of innovation and “creative destruction” (SDC, 2009, 60). At the same time, the market for these goods relies on an expanding consumer demand, driven by a complex social logic. The report argues that these two factors combined drive ‘the engine of growth’ on which modern economies depend and lock the society in to an ‘iron cage’ of consumerism (SDC, 2009, 62). This consumption-driven growth, which has – according to the report – failed to bring more prosperity, has been supported so far from various factors (SDC, 2009):

- a) From the macro-economic perspective, economic growth has proved to be the only ‘defensive mechanism’ against unemployment and destabilization. De-growth has, in some ways, proved to be environmentally sustainable but unstable due to decreasing productivity.
- b) From the social/individual perspective, consumption-driven growth lies in the culture of the current consumerism of our societies. This logic describes the tendency of individuals to consume more and more since goods have a positional and status symbol for many people.
- c) From the political perspective, ‘decoupling’ and ‘higher efficiency’ have been the preferred policy prescriptions as a way to mitigate consumption-driven growth.

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<sup>8</sup> The report mention three reason: Firstly, material opulence is necessary for flourishing. Secondly, economic growth is closely correlated with certain basic ‘entitlements’ – for health or education, perhaps – that are essential to prosperity. Thirdly, growth is functional in maintaining economic and social stability, while de-growth appears to be unstable (SDC, 2009).

Therefore, by analyzing what should be changed, the report confronts the structure of modern economies. It argues that a different kind of growth is required as well as a societal and institutional transformation for changing the current consumerism culture. A 'different kind of growth' should reduce the structural reliance on consumption growth and provide a different mechanism to achieve underlying stability. Growth should be "based on non-polluting energy sources and selling non-material services, not polluting products" (SDC, 2009, 76). The report argued that initiatives around 'green economy' and 'green growth' are a first step towards the transformation of the current economic growth to more environmental sustainability. However, green economy and growth would still be based on consumption growth as a key driver, which is the source of the dilemma.

To sum up, the report challenges the assumption of continued economic expansion based on consumption in rich countries and describes that prosperity is possible without consumption-driven economic growth. In contrast to other strategies in this case study report, it argued for the need to set environmental and social limits to economic growth and change the consumer culture of our societies.

### **Objectives and topics covered**

An important aim of the report is to provide a coherent foundation for policies and to help strengthen the national government in taking forward these policies. The report presents as main argument that "for the advanced economies of the Western world, prosperity without growth is no longer a utopian dream. It is a financial and ecological necessity." (SDC, 2009, 12) For the moving towards a sustainable economy, the report presents 12 steps that fall within three categories:

#### **(a) Building a sustainable macro-economy**

The report argues that time is ripe to develop a new macro-economics for sustainable development that does not rely for its stability on relentless growth and expanding material throughput. Four specific policy areas are identified to achieve this:

- 1) developing macro-economic capability
- 2) investing in public assets and infrastructure
- 3) increasing financial and fiscal prudence
- 4) reforming macro-economic accounting

#### **(b) Protecting capabilities for flourishing**

It is pointed out that lasting prosperity can only be achieved by freeing people from materialistic consumerism and providing creative opportunities for people to flourish – within the ecological limits of the planet. Five policy areas should address this challenge:

- 5) sharing the available work and improving the work-life balance
- 6) tackling systemic inequality
- 7) measuring capabilities and flourishing
- 8) strengthening human and social capital
- 9) reversing the culture of consumerism



### **(c) Respecting ecological limits**

“Prosperity without Growth” claims that there is an urgent need to establish clear resource and environmental limits on economic activity and to develop policies to achieve them. Three policy suggestions are made to contribute to this task:

- 10) imposing clearly defined resource/emissions caps
- 11) implementing fiscal reform for sustainability
- 12) promoting technology transfer and international ecosystem protection

More detailed definitions and examples for each of the 12 steps can be found in the report (SDC, 2009, 103-107).

### **Governance mechanisms and tools for implementation**

The UK Sustainable Development Commission (SDC) intends to generate discussion and debate on the issues and challenges that the report raises. The report has been sent to the UK Prime Minister, national government ministers and government leaders in the devolved administration as well as to business and civil society representatives. As national sustainable development commission, the SDC cannot develop and deliver policies but can only make proposals to the UK Government.

According to the report, ‘governance for prosperity’ should engage actively with citizens, both in establishing the mandate and delivering the change for lasting prosperity. The governments should play a vital role as the principal agent in protecting the shared societal prosperity and a key responsibility for macro-economic stability (SDC, 2009). Especially for the latter, governments are currently in a conflict situation: for as long as macro-economic stability depends on economic growth, governments will have an incentive to support social structures that pursue this goal, especially when it comes to boost sales. The pursuit of narrow growth, which is reinforced by materialistic and individualist thinking, represents a “distortion of the common good” and will try to undermine the legitimate role of the government (SDC, 2009, 98). Therefore, the report suggests that governments should undertake measures on freeing the macro-economy from structural requirements for consumption-growth. Subsequently, this would free governments to play their role in delivering social and ecological goals and protecting long-term interests. According to the report, a new vision of governance that embraces this role is urgently needed.

“Prosperity without Growth” also proposes several governance measures and implementation tools for achieving the goals outlined in the report, comprising of

- (a) **economic policy tools:** fiscal reform, i.e. shifting the burden of taxation from incomes onto resources and emissions; incentives for investments to developing macro-economic capabilities for sustainable development.
- (b) **changes in domestic policies:** improving the work-life balance, creating and protecting shared public spaces; strengthening community-based sustainability initiatives; reducing geographical labor mobility; providing training for green jobs; building statistical capacities for measuring prosperity.
- (c) **establishing a global technology fund:** to invest in renewable energy, energy efficiency, carbon reduction, and the protection of ‘carbon sinks’ (e.g. forests) and biodiversity in developing countries.



## **Overview table: strategies, initiatives and activities**

The table below provides an overview of the six presented strategies, initiatives and activities along four criteria, (i) development process, (ii) understanding of growth and its relation to sustainable development, (iii) objectives and topics and (iv) governance mechanisms and policy tools for implementation.

	UNEP: Global Economy Initiative	OECD: Work on Green Growth	EU: "Europe 2020" strategy	Austria: 'Growth in Transition'	Ireland: Smart Economy Strategy	UK: 'Prosperity without Growth'
<b>Development process</b>	Global Green Initiative (GEI): Initiated by UNEP and developed together with experts from other UN organisations, academia, think tanks, businesses and environmental groups. Global Green New Deal (GGND): Developed in the framework of GEI. Prepared in consultation with UN organisations and intergovernmental organisations and shared with members of the G20 meetings in 2009.	The Ministerial Council Meeting (MCM), representing the 30 OECD member countries, signed a Green Growth Declaration and endorsed the OECD to develop a Green Growth Strategy (GGS). The GGS will be developed as a horizontal project by various OECD committees and directorates. An interim report on the GGS will be available in June 2010 MCM; the final report on the GGS will be delivered to the 2011 MCM that will take a decision on the GGS.	The "Europe 2020" strategy is a communication from the European Commission. The strategy will be decided by the Spring European Council in late March 2010. For developing the strategy, the Commission launched a consultation process from November 2009 to mid-January 2010. In total, about 1,400 responses to the consultation document "EU 2020" strategy were received from a variety of stakeholder groups.	"Growth in Transition" was initiated by the Austrian Ministry of Environment. The initiative is conceptualised as a stakeholder dialogue and involved partners from various sectors, e.g. five national ministries, the business sector, regional authorities, NGOs, etc. Started in 2008, the initiative has so far organised four workshops and one international conference.	The Smart Economy Strategy is a policy strategy that was adopted by the Irish Government in December 2008. It sets out a set of actions to reorganise the country's economy over a five-year period (2009-2014). The strategy was initiated by the Cabinet Committee on Economic Renewal (chaired by the Prime Minister's Office). It was developed with contributions from the social partners and various committee departments.	The report, "Prosperity without Growth", was published in 2009 by the UK Sustainable Development Commission (the UK Government's independent advisory body and watchdog on sustainable development issues) and compiled by the Economics Commissioner, Prof. Tim Jackson. The report builds on work undertaken in the 'Redefining Prosperity' programme of the SDC as well as on work from across the SDC. The 'Redefining Prosperity' programme included several workshops and seminars and involved various stakeholders (policy-making and research).
<b>Understanding of growth &amp; relation to SD</b>	Investments in green technologies and renewable energy are considered as new engines for growth. Higher efficiency should serve as tool for combating environmental degradation; education and training as a tool to create more jobs. Focus on sustainable economic growth but taking into account more environmental and social issues.	Economic growth should be achieved by 'green investments', less intensive resource use and a stronger consideration of social well-being and poverty reduction. To achieve this, decoupling and higher efficiency are considered as appropriate tools.	The strategy can be seen as attempt of the EU to face the challenges posed by the economic and financial crisis (first steps for an exit from the crisis are described). Economic growth is still the major objectives and generally not questioned. However, references to 'transformation' (no return to the pre-crisis situation intended) and 'inter-related issues' may point towards a more integrative approach. The proposed way forward is defined as "smart, sustainable and inclusive growth". The main aim of the strategy is to "regain competitiveness, boost productivity and put the EU on an upward path of prosperity".	Although economic growth has important functions in Western societies, the "Growth in Transition" initiative refers to the need for more qualitative growth that is compatible with sustainable development. Qualitative growth refers to quality-of-life, human well-being, social cohesion, etc. Therefore, traditional understandings of economic growth are questioned and innovative approaches of growth are sought after.	The Smart Economy Strategy recognises the interdependence of four forms of capital (human, physical, natural and social). Moving from quantitative growth towards more qualitative development should be guided by investments in renewable energy, new technologies and innovation, combining higher productivity and higher energy efficiency. The strategy also questions the infinite growth paradigm of traditional economic growth approaches.	The report argues that finding a solution to the current 'growth dilemma' is crucial. The growth dilemma refers to the economic growth objective to deliver prosperity - it is considered questionable if this objective has been achieved. The report confronts the structure of modern economies and argues for a different kind of growth as well as for a societal and institutional transformation. 'Green growth' is considered as first step towards this transformation, but more is required to fully achieve it. The report also argues for environmental and social limits to economic growth and a change in the consumer culture of Western societies.

	UNEP: Global Economy Initiative	OECD: Work on Green Growth	EU: "Europe 2020" strategy	Austria: 'Growth in Transition'	Ireland: Smart Economy Strategy	UK: 'Prosperity without Growth'
<b>Objectives and topics</b>	<p>GEI: aims to achieve low-carbon economy by refocusing policies and investments into</p> <ul style="list-style-type: none"> <li>(-) clean technologies</li> <li>(-) renewable energy</li> <li>(-) water services</li> <li>(-) green transportation</li> <li>(-) waste management</li> <li>(-) green buildings</li> <li>(-) sustainable agriculture and forests</li> </ul> <p>The GGDN aims to revive the world economy (as consequence of the economic crisis) by focusing on similar topics.</p>	<p>The main objective it to achieve an efficient shift towards a sustainable world economy. This should be achieved by stimulus packages and new green investments (short-term) as well as the development of environmentally-friendly infrastructures (long-term). Potential priority areas of the GGS are:</p> <ul style="list-style-type: none"> <li>(-) climate change</li> <li>(-) poverty reduction</li> <li>(-) sustainable resource management</li> <li>(-) sustainable consumption and production</li> <li>(-) energy security</li> <li>(-) education</li> <li>(-) governance</li> </ul>	<p>"Europe 2020" aims to achieve smart, sustainable and inclusive growth:</p> <ul style="list-style-type: none"> <li>(-) Smart growth: strengthening knowledge and innovation as drivers for future growth (R&amp;D spending, education and training, digital society).</li> <li>(-) Sustainable growth: building a resource efficient, sustainable and competitive economy (improving competitiveness, tackling climate change, energy efficiency).</li> <li>(-) Inclusive growth: empowering people through increased employment and skills, modernising labour markets, fighting poverty.</li> </ul> <p>To achieve the priorities, five headline indicators are suggested.</p>	<p>The initiative aims to raise awareness among policy-makers and the stakeholder community on linking economic growth and sustainable development. A more qualitative growth should be achieved and the initiative aims to foster dialogue on how the transformation process towards an economy shaped by sustainable development could be achieved.</p>	<p>The strategy outlines the Irish Government's vision to acknowledge severe short-term economic challenges while focusing on how to achieve a sustainable economy in the medium-term.</p> <p>For this vision, the strategy sets out five action areas:</p> <ol style="list-style-type: none"> <li>(1) Securing the enterprise economy</li> <li>(2) Building the ideas economy - establishing 'The Innovation Island'</li> <li>(3) Enhancing the environment and securing energy supplied</li> <li>(4) Investing in critical infrastructure</li> <li>(5) Efficient and effective public services and smart regulation</li> </ol>	<p>The report presents 12 steps for moving towards a sustainable economy. The steps are divided into three categories:</p> <ol style="list-style-type: none"> <li>(1) Building a sustainable macro-economy (e.g. investing in public assets and infrastructure, reform of macro-economic accounting, etc.)</li> <li>(2) Protecting capabilities for flourishing (e.g. equality, work-life balance, strengthening human and social capital, etc.)</li> <li>(3) Respecting ecological limits (e.g. resource/emission caps, fiscal reform for sustainability, etc.)</li> </ol>
<b>Governance mechanisms &amp; implementation tools</b>	<p>UNEP has established a network approach and collaborates with national governments, NGOs, businesses, consumer groups, experts, etc.</p> <p>The GEI uses soft policy tools, e.g. advisory service, research products and partnerships (with national governments and other stakeholders). The GGDN specifically addresses the G20 countries.</p>	<p>The GGS intends to include implementation prescriptions for the international and national level. For better coordination between the different levels, various policy instruments will be used. Generally, the GGS will serve as a policy framework for national policies. Implementation at the national level will be monitored by peer reviews, green growth indicators and sharing of best practices (i.e. Open Method of Coordination).</p>	<p>The proposed governance architecture for implementing the strategy are built on two issues: (-) Thematic approach: focus on the three priorities and five headline targets - actions on EU and Member States level necessary. (-) Country reporting: supporting Member States to define and implement to significant macro-economic and public finance goals. A set of integrated guidelines and policy recommendations (to Member States) should coordinate implementation efforts. All institutions on the different levels (EU, national and sub-national) are called for cooperation to achieve the strategy objectives.</p>	<p>"Growth in Transition" is an initiative that aims to foster discussion and awareness among all stakeholders. No concrete governance mechanisms and policy tools have been developed yet.</p>	<p>The Prime Minister's Office is coordinating the implementation of the strategy. Generally, the actions outlined in the Smart Economy Strategy have been linked to the current Programme of Government. Policy integration is considered an important element and each national ministry needs to report regularly on progress towards the strategy's key actions. Moreover, a task force has been established in the Prime Minister's Office to help in implementing the strategy (with members from ministries, businesses and academia). The policy tools to be applied in implementation are a mix of hard and soft tools, e.g. regulation, economic incentives, new action plans and institutional arrangements.</p>	<p>The report has been sent to UK Government ministries and stakeholders alike to generate discussion (the SD Commission can only give advice). The "Prosperity without Growth" reports includes proposals for governance measures and implementation tools:</p> <ul style="list-style-type: none"> <li>(-) Economic policy tools (e.g. taxing resources consumption and emissions, etc.)</li> <li>(-) Changes in domestic policies (e.g. improving work-life balance, reducing mobility for work, training for green jobs, etc.)</li> <li>(-) Establishing a global technology fund (e.g. investments in renewable energy, energy efficiency, etc.)</li> </ul>

## Conclusions

All strategies, initiatives and activities presented in this case study can be seen as a direct response to the recent financial and economic crisis and aim to address environmental and social issues in the context of economic development trajectories. Although different in their specific focus and actual status in the policy-making process, all but the OECD's work on green growth were developed with the involvement of various stakeholder groups (e.g. through a consultation process or through conferences, workshops, etc.). The OECD's Green Growth Strategy will be developed internally by committees and directorates.

The understanding of growth and its relation to sustainable development vary among the six strategies, initiatives and activities outlined. On the one hand, the UNEP's Green Economy Initiative, the OECD's work on green growth and the "Europe 2020" communication by the European Commission remain within traditional economic growth paths. Nevertheless, the economic growth approach should be enriched by more environmental and social considerations. They argue for more investments in green technologies and innovations, an increased use of renewable energy resources, higher efficiency in resource use and decoupling. On the other hand, the national strategies, initiatives and activities question, to a varying degree, traditional economic growth. The Smart Economy Strategy in Ireland points towards a more qualitative growth and questions the infinite growth paradigm of Western societies. The Austrian "Growth in Transition" initiative and the "Prosperity without Growth" report of the UK Sustainable Development Commission argue for more qualitative growth that comprises quality-of-life issues and human well-being; "green growth" is considered a first step towards a sustainable economy but more would be required to fully achieve it.

The objectives and topics covered in the strategies, initiatives and activities are broad but focus, as mentioned above, on linking economic growth and sustainable development by increasingly addressing environmental and social issues. The most frequently mentioned topics are actions to tackle climate change, renewable energy use and energy efficiency as well as green technologies and innovations. Moreover, reference is often made to effective governance mechanisms and public services.

The governance mechanisms and policy tools for implementation vary, of course, with regard to the responsibilities of the institution that initiated the strategy, initiative or activity and their status in the policy-making process. The mechanisms and tools range from a network approach with soft policy tools (UNEP) and a policy framework for national policies with peer reviews, indicators and sharing of best practices (OECD) to high-level policy strategies with clearly defined reporting schemes (EU and Ireland). The "Growth in Transition" initiative has not yet developed governance mechanisms and policy tools and the "Prosperity without Growth" report makes general proposals as part of the advisory role of the UK Sustainable Development Commission.

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# **National assessment of sustainable development in Finland**

## ***ESDN Case Study No. 2***

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## Introduction

According to the implementation and monitoring requirements of the revised EU Strategy for Sustainable Development (EU SDS), many EU countries have started assessing their national sustainable development strategies (NSDS). Among all, Finland seems to have been quite successful in its national assessment process. The Finnish assessment proved to be very useful in better understanding the importance and significance of SD in the decision making process and in identifying the current vulnerable aspect of the NSDS process and its implications.

The second ESDN case study provides an overview of this national assessment process of the national sustainable development strategy in Finland. The aim of this report is to reveal best practices, in particular emphasizing procedures and tools employed, follow-ups as well as recommendations for future work. The information provided in this second ESDN case study could be instrumental for other EU Member States that are in the process to assess their national sustainable development strategies (NSDS).

This ESDN case study is divided in three parts. The first part describes the initial assessment process and the tools and methods employed therein. The second part adopts the assessment criteria defined in the first section in order to evaluate the implementation of the strategy and its significance for the decision-making process. Finally, the third part proposes some recommendations and reflection for policy-makers involved in similar processes.

This report is based on the Finnish experience. Information is drawn from the document outlining the [national assessing of sustainable development](#)<sup>1</sup> and from interviews with key actors participating in the assessment process (please see interview guide in Appendix I). The interview partners were two members of the assessment steering group, namely Mr. Sauli Rouhinen (Environment Counsellor in the Ministry of the Environment and Secretary General of Finland's National Commission on Sustainable Development) and Mrs. Annika Lindblom (Senior Adviser in the Ministry of the Environment and Deputy Secretary General in the Finland's National Commission on Sustainable Development) as well as Dr. Mikko Wennberg, Director of the external consultant agency Ramboll Management Consulting Finland.

## Assessment framework

Finland's revised national strategy for sustainable development (NSDS), "Towards sustainable choices. Nationally and globally sustainable Finland", was adopted in June 2006 by the Finnish National Commission on Sustainable Development (FNCSD). The Finnish national sustainable development policy foresees a wide-reaching participation of various societal actors in both the definition of the contents and in the implementation of the

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<sup>1</sup>Ministry of the Environment, 2010: National Assessment of Sustainable Development 2009. Helsinki.

measures. In this section, the report describes how the process of the national assessment started and developed as well as the tools and methods used.

### **Initiation Process**

The assessment of the revised NSDS has been carried out in the framework of the progress evaluation of the NSDS implementation – a biannual process. The institution responsible for the coordination and for the assessment of the strategy is the Ministry of Environment. Therefore, in a preliminary phase of the assessment, the Ministry of Environment organized several meetings with the inter-ministerial network secretariat (a preparatory body for the FNCSD, that includes all ministries with a stake in SD) in order to exchange ideas and suggestions on the assessment and, furthermore, to gather information on the implementation of the strategy from the various ministries. The Ministry of Environment then created a steering-group. Its members were policy-makers (here understood as public administrators or policy planners) of the Ministry of Environment, namely Sauli Rouhinen, Annika Lindblom and Jarmo Muurman, and Professor Per Mickwitz from the Finnish Environment Institute<sup>2</sup>. The steering-group launched a tender process for selecting an external consultant for the assessment and selected Ramboll Management Consulting. The steering-group, along with Ramboll Management Consulting, designed then the assessment process. This was mainly based on interviews and revision of administrative reports, statistical data and indicators. The evaluation was carried out by the external consultant. The assessment process started in March 2009 and ended in December 2009. Based on the assessment, recommendations were drafted. The key recommendations were:

- new measures for re-formulating the strategy concept,
- a preliminary ex-ante assessment process as a new planning tool for the strategy and
- further enhancement of the indicators.

The recommendations were considered useful by the inter-ministerial network secretariat. Currently, the work concerns the way how to integrate these recommendations in further governmental programme.

### **Development process: tools and methods**

The national assessment process had two goals. On one hand, it aimed to estimate the extent to which the targets (see Box 1) set in the revised NSDS (2006) was achieved. On the other hand, it aimed to evaluate the role and importance of the NSDS in the decision-making process of the various ministries with a stake in SD.

Based on the interviews, evaluating the importance and steering influence of the NSDS in the various state agencies should give information on the added-value that this particular policy tool represents for the achievement of SD policy.

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<sup>2</sup> The latter one is affiliated to the Ministry directly and supports the Ministry with evidenced based policy-making.

### Box 1: Target of NSDS

The targets of the Finish NSDS are:

- Taking the sustainable development guidelines into account in the programmes of various actors;
- Preparation of sustainable development programmes;
- Cooperation between administrative sectors;
- Monitoring of the success of sustainable development policy;
- Assessment of the National Strategy for Sustainable Development;
- Development of impact assessment.

The assessment process relied on four criteria:

- (1) **target-setting**: it assesses how extensively the guidelines of the NSDS have been taken into account both by public and private actors;
- (2) **measures**: it aims to evaluate how well the measures required by the strategy have been implemented and how successful the implementation of the strategy has been;
- (3) **results and impacts**: it aims to determine how well have the targets set in the strategy been achieved as whole and by theme area;
- (4) **follow-up and assessment**: it aims to evaluate how well does the follow-up and assessment phase support the implementation of the strategy (see Appendix II).

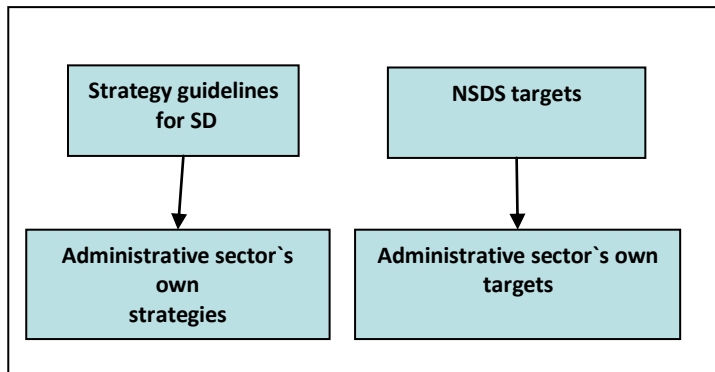
For the evaluation of these criteria, Ramboll Management Consulting employed various types of sources. Primarily, its team relied on the reports of the various ministries on the implementation of their strategies. Further data and information were obtained both through traditional qualitative (questionnaires and interviews) and quantitative evaluation methods. In general, interviews proved very useful. However, indicators, statistics, previous research studies and reports from member organisations of the FNCSD, played a significant role as well.

## Assessment findings of the NSDS

The assessment findings of the evaluation report are sub-divided according to the four criteria on which the assessment was based: the target setting, measures, results and impacts and follow-up mechanisms of the strategy.

### Assessment of target setting in the NSDS

The assessment was based on the reflecting the foci of the NSDS in the actors' strategies and the extent to which the NSDS has steered target setting and affected internal target setting by actors. Secondly, the level of coherence between the NSDS targets and targets of each administrative sector was evaluated (see figure 1).



**Figure 1: Assessment of target-setting**

**Source:** own analysis

Interestingly, it emerged from this process that many SD themes (like climate change, sustainable use of natural resources) were widely present in the target setting of the public administration. Many sectors have developed, therefore, their own strategies in these areas.

In contrast, with respect to other topics, such as well-being, the targets are mainly pursued outside the strategic framework of SD. This assessment also underlined the lack of an overarching understanding of SD within the administrative sectors. The result is compartmentalization: each bureaucracy focuses on the topics closer to its own core competences, and their integration remains limited.

Furthermore, little attention seems to have been paid to the coherence of target setting. Conflicting targets between the sectoral strategy and the NSDS are rarely addressed (i.e. economic vs. sustainability targets). Finally, a sort of vagueness seems to have affected the process and given rise to the problem “everything is SD”.

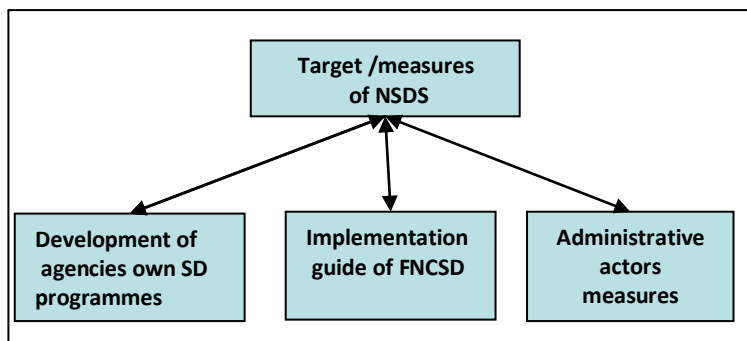
In sum, the importance of the NSDS content has increased within the Finnish public administration. And this is particularly true whenever there is some overlapping between SD theme areas and administrative focus areas (i.e. forest policy). However, as a governing instrument, the strategy has achieved less rather than more prominence. This is due to two different dynamics: Firstly, key SD themes are managed by other sectoral strategies. Secondly, the contents of the NSDS are determined by decision-making processes that are steered separately from the strategy itself. In other words, the high political profile of the SD Commission is not followed by a similar political importance attributed to the strategy itself.

### Assessment of measures in the NSDS

This part assessed how well the measures of the NSDS have been implemented (for an overview of the targets of the NSDS, see figure 2). It evaluated three specific aspects:

- (1) Preparation of SD programmes from government agencies and municipalities;
- (2) Compliance with the implementation guide of the FNCSD, which sets targets of promotion of SD principles in administrative sectors and inclusion of SD principles in public organization everyday activities;
- (3) Relationship between measures of the actors and the targets set in NSDS.

**Figure 2: Assessment of measures of NSDS**



With one exception (Ministry of Transport and Communication), no sustainable development programmes have been prepared by central government agencies, mainly due to the actors considering this unnecessary.

Source: own analysis

A number of local agendas or sustainable development programmes were prepared by municipalities in the late 1990s and the early 2000s. The assessment provides no evaluation of the current situation in municipalities or whether these programmes have been genuinely utilised and updated as part of municipal decision-making.

The implementation guide of the FNCSD aims to promote the commitment of the management of ministries and organisation to the vision and target framework of the NSDS in order to indirectly affect the preparation of SD programmes at the various administrative levels. One of the shortcomings in the implementation of the strategy is directly linked to the lacking commitment of management at the senior level. Although environmental issues in particular have received more emphasis than before in senior management agendas, the *NSDS has not succeeded in establishing itself as a strategy governing inter-administrative activity*. Actors have remained unfamiliar with the strategy, which lacks the credibility needed for directing either the target-setting activities or thinking of senior management (in comparison to e.g. the productivity programme, regional policy programmes or strategies on climate change).

The third assessment aspect of evaluating the impact of the already launched measures did not provide any fruitful results. The desired impacts of most measures cannot yet be observed, due to the time span of the evaluation. With regard to measures implemented in a number of key target areas, the impacts may be observed only after several years. A more important problem originates from the *lack of a clearly defined programme theory for the strategy* that would describe how the desired impacts could be achieved through the selected measures, while defining the roles and responsibilities of various parties within this entity. The development of such a programme theory might improve the impact of the strategy measures in the future.

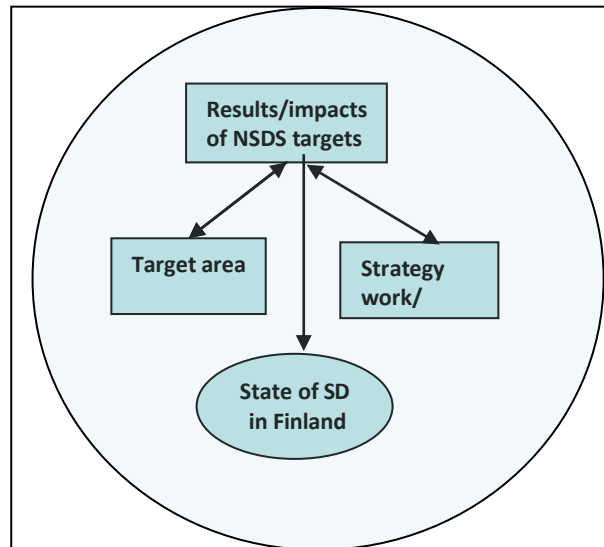
### Assessment of results and impacts in the NSDS

The evaluation aimed to assess three aspects:

- (1) To what extent the targets set in the NSDS have been implemented as a whole and by thematic entities (i.e. use and protection of natural resources, communities and

- regional structure, well-being of citizens, economy as a safeguard for SD, Finland as a global actor and bearer of responsibility, supporting sustainable choices)?
- (2) What results have the targets set by the strategy produced?
  - (3) What is the status of sustainable development in Finland and how has it developed?

**Figure 3: Assessment of result and impact**



Source: own analysis

At the international level, Finland's level of SD<sup>3</sup> can be considered high as measured through the Sustainable Society Index, Environmental Performance Index and Human Development Index. However, despite this high performance, the situation is more complicated when assessed through the targets set in the NSDS. In fact, the assessment phase has concluded that in most target areas, there has been no progress. In general, progress seems to have been more marked in environmental rather than social and economic issues.

As to the results of the target setting, the strategy seems to have been *more effective in promoting processes, rather than end results*. These processes have permitted the creation of a discussion forum that in turn helped the actors to structure the theme areas of SD on a cooperative basis. However, according to the consultant, the NSDS has had no great significance in terms of directing or launching measures.

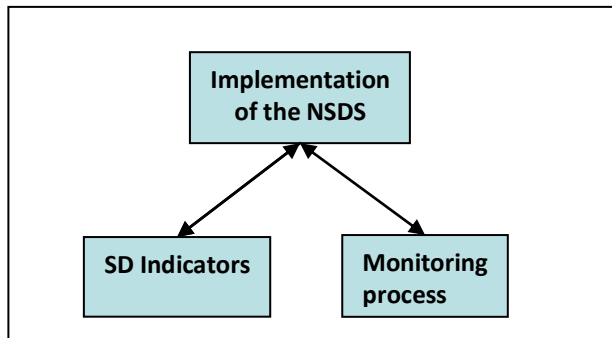
### Assessment of monitoring and evaluation systems of SD

SD indicators are employed to monitor and assess the implementation of SD in Finland. There is already an established Finnish National Indicator Network of SD which takes part in the strategy work by identifying development challenges in the early phase of the work and by producing follow-up indicators for monitoring the implementation of the strategy objectives. The monitoring process of SD consists of the following elements as:

<sup>3</sup> In December 2008, the Sustainability Society Foundation (SSF) a Dutch organisation, published an international comparison on the level of sustainability in 151 countries. Finland ranked fourth in this comparison, following Sweden, Switzerland and Norway.

- Sustainable development indicators;
- Reporting on the implementation of the strategy to the National Commission on Sustainable Development;
- Developing the ENVIMAT-model (environmental impacts of material flows caused by the Finnish economy);
- National Assessment.

**Figure 4: Evaluation of the follow-up system**



This part of the assessment aimed to evaluate the following aspects:

- (1) Do the indicators sufficiently facilitate the implementation of the NSDS?
- (2) Are they reliable and up-to-date on the state of SD?
- (3) How well does the monitoring system, comprising the elements mentioned above, facilitate the implementation of the NSDS?

Source: own analysis

When assessing the indicators the core criteria used were:

- Validity: the indicators measure what is set as a target;
- Specificity: it is known what should be done on the basis of the trends indicators show;
- Relevance: important data or statistics that must be followed;
- Timeliness: the data is available when needed.

The conclusions have shown that the indicator work has contributed positively to the strategy work related to sustainable development. *Through these indicators, the NSDS has been enhanced and the contents of the target areas have become more concrete.* The core problem in the evaluation of the validity of indicators was the vagueness of some targets or target areas of the strategy. The main difficulty was to define what the indicator should describe. This problem was related more to the target setting rather than to the indicator work.

*Indicators have seldom been used in decision-making.* Indicator work has not produced indicators facilitating operative decision-making, but measures that describe the state of SD at the macro-level by target area. The use of such indicators in organisational decision-making is rather low.

In strategy work related to SD, significant efforts have been made to develop follow-up and assessment systems. Indeed, this assessment criteria received the best evaluation score (see figure 6) Key efforts in this respect concern the indicator work carried out by the indicator

network (composed of civil servants, researchers and statisticians from various branches), the [ENVIMAT project](#)<sup>4</sup> and the national assessment<sup>5</sup>.

The indicators are weaker with regard to the social aspect of sustainable development. For the ENVIMAT model, the situation is similar in the sense that the model expressly reflects on the relationships between economic and environmental impacts. When used as a tool for assessing sustainable development, its shortcomings are directly related to the social aspect.

### Summary of the assessment findings

The evaluation looked at Finland's NSDS implementation and what has been the "importance" or "additionality" of the strategy in the decision making process of the stakeholders.

On the basis of the findings derived from the assessment criteria (figure 5) and on the interviews we conducted, *the NSDS seems to have delivered an added-value, providing a particular forum of dialogue for various stakeholders on various themes*. This participative process – being at the heart of the strategy – has allowed reaching various societal actors both in the definition of the contents and in the implementation of the measures. Although the themes related to the environment (i.e. climate change, sustainable use of natural resources) have emerged extensively in the public sphere target-setting process, it appears that they are carried on mostly by other political processes. Thus, based on the evaluation findings, *the strategy itself does not direct the decision-making processes of government agencies*. The central themes of SD are being steered through other strategies, while strategy contents are determined by decision making processes steered separately from the strategy itself.

According to the consultant's opinion, *the NSDS as a governing tool for SD, does not provide any policy guidance in SD policy terms to most actors*. The strategy appears as a compilation of SD targets set by disparate organisations. There have been attempts to deploy the strategy through SD action programmes but programme work has not been properly coordinated and with a few exceptions, practically no action programmes have been prepared within the state administration. According to the consultant, the "lack of commitment of senior managers towards the NSDS and the unawareness of the strategy in sectoral target setting" represent key problems concerning the implementation of the strategy.

Based on the evaluation results, *the strategy content (targets and measures) has become important to various branches, although the significance of SD varies greatly between branches or administrative sectors*. In fact, where SD themes are substantially linked to the bureaucracy's focus, SD targets have become central or their importance has increased. In contrast, SD has proved to be barely visible in target setting in sectors whose activities have

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<sup>4</sup> The objective of the ENVIMAT project has been to create a tool with which the relationships between environmental impacts and economic effects, due to the use of natural resources in Finland, can be assessed. This project has concentrated on environmental impacts, even though the ENVIMAT model also enables the assessment of effects on added value and employment in various sectors, and the products and services produced therein.

<sup>5</sup> No evaluation of the national assessment on SD has been undertaken in the National assessment for SD 2009.



only narrow connection. Generally, the direct impacts of most measures launched after the preparation of the strategy can not yet be observed, due to the time span of the evaluation. The impacts of measures launched on those sectors which have linked focus with SD might be observed only after several years.













Based on the evaluation findings, *the basic problem in the interpretation of SD lies in the very concept of SD and the administrators' understanding of SD*. This has two implications: Firstly, since the concept has become so vague, almost all activities can be interpreted as being in line with SD. During the evaluation only few public administrators were able to identify features of target-setting within their own organisation that might be poorly compatible with the principles of SD. Secondly, as the consultant mentioned in an interview, the interpretation of the content of SD has been widely subjected to “cherry-picking”, each actor is able to select those elements of the NSDS which best serve the needs of their own organisation. In fact, the assessment findings show that an overarching perspective on SD was mostly lacking (environmental, social and economic). This seems to be due to the very broad and unconcrete nature of most targets in the strategy.

The importance of the SD lies mainly in its procedural value: *it offers a forum for participative dialogue among various stakeholders and less in the strategy as a governing instrument*. When SD is considered as a broad horizontal principle governing all activities, it has been overshadowed by other strategies. In fact, *it lacks political support, concreteness in its targets and appropriate implementation measures*. However, it has had a *positive impact on the development of appropriate indicators (indicator work network) and the development of some policy planning tools (like the ENVIMAT Model<sup>6</sup>)*.

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<sup>6</sup> The model was not an explicit result of the NSDS but it was considered useful when analysing the impacts of many SD strategy objectives and their implementation

**Figure 5: Summary of the four criteria of the assessment**

Aspect assessed	Assessment questions	Assessment
<b>Target setting</b> Coherence of target setting	How effectively have the guidelines of the strategy for sustainable development been taken into consideration in administrative sectors' own strategies and programmes?	
	What level of coherence is there between the targets set by the strategy for sustainable development and other administrative targets?	
	What is the importance of targets set for sustainable development in relation to other administrative targets?	
<b>Measures</b> Implementation of measures according to the strategy	How many central government agencies and municipalities have prepared sustainable development programmes?	
	How extensively have the actors considered the implementation guidelines prepared by the National Commission on Sustainable Development?	
	How effectively have the chosen measures promoted the targets set by the strategy for sustainable development?	
<b>Results and impacts</b> The achievement of targets set as an entity and by theme area	How effectively have the targets set by the Strategy for Sustainable Development been implemented as a whole and by thematic entity?	
	What results, promoting the targets set by the strategy, have been generated by strategy work?	
	What is the state of sustainable development in Finland and how has it developed?	
<b>Follow-up and assessment systems</b> Follow-up and assessment of the achievement of targets set	Do the follow-up indicators adequately facilitate the strategy's implementation?	
	How does the current follow-up and assessment system facilitate the implementation of the strategy?	
	How comprehensive, reliable and up-to-date is the data available on the state of sustainable development?	

Source: Ministry of the Environment, 2010:78

## Recommendations and follow-ups of the assessment

Based on the evaluation report, the recommendations suggest that the *NSDS concept should be substantially changed, less in terms of governance mechanisms and more in terms of new responsibilities and planning tools*. The goal is to develop a more coherent target-setting between the strategy and the sectoral agendas. From this perspective, this section will shortly summarize these recommendations and their implications. A general comment on the assessment process (based on the interviews) will follow.

On the basis of findings of the evaluation report, the consultants proposed the following recommendations:

- Renewal of the NSDS concept;
- Further development and piloting of an ex-ante assessment framework;
- Enhancement of the operational indicators.

The recommendations related to the new strategy concept refer to the improvements in content and renewal of the concept. According to the assessors, the strategy should be

modified in its targets and targets levels, as it is quite “messy” currently. Therefore, the new strategy concept should:

- clearly define the targets and target level of SD in Finland;
- define the principle of SD, which are not quite clear in the current strategy;
- define the role and responsibilities of the actors in the implementation;
- present a model for monitoring the achievement of the targets.

Most interview partners shared the opinion that an NSDS should be a concise document. Thus, it should not integrate all implementation measures for every administrative sector. According to the consultants, the responsibility for the measures and implementation should remain in the administrative sectors and other actors. Then, each sector should be allowed to report on the measures in line with its own, normal practices.

The NSDS should also provide guidance for the administrative sectors on how to take into account SD aspects in the policy planning of respective sectors. A pilot project “ex-ante assessment framework” between the Ministry of the Environment and the assessors was introduced in this respect (see a first draft of it in Appendix III of this report, and more in the Finnish assessment report on sustainable development). The assessors also suggested that the Ministry of the Environment integrates into the assessment process the target-setting process of the strategy. Consequently, this tool should help for the identification of urgent future targets in the new strategy, which need cross-sectoral actions in line with the SD principles. Moreover, it should also ensure that the strategy gives its added-value to the administrative sectors at the very beginning of their policy planning procedures. The ex-ante planning tool in the decision-making process might contribute to more coherence in target-setting between the NSDS and the sectoral strategies. This tool should then be further developed to an “ex-ante framework programme”, providing guidance in implementation of the strategy to the sectoral level in order to ensure that all aspects of SD are being considered in the targets setting of the sectoral agenda. However, more information on how this planning tool will be implemented in the daily working tasks of the administrators is not available yet.

The third recommendation concerns the lack of concreteness of the targets in the strategy. As target setting (operational measures) is closely linked to the development of indicators, the quality of both policy objectives and indicators should be reconsidered. Indicators should be able to provide direct information on the results and impacts of operational measures. The Finnish Indicator Network of SD is already working on improving the list of SD indicators.

### Implications for a renewed NSDS and follow-up

The current governance structures were not assessed in the evaluation. Thus, the recommendations have no implications on this issue. However, they imply some changes related to the specification of the role of actors and institutions in the planning, implementation and monitoring phase of the strategy. Thus, the FNCSD should play a more specific role in the planning and monitoring phase of the strategy, while the administrative sectors should further engage with the implementation of the measures and actions in line with their sectoral practices. However, the risk that the new strategy might not result in any

improvement derives from the lacking power of the FNCSD and the lacking political importance of SD in the perception of high level senior managers in the administration.

Based on this new strategy concept, and according to the interview partners, the role of the FNCSD, should be more specific and play a more central in the strategy process. Its tasks should be:

- 1) Target-setting and measurement: so to better identify those topics of the NSDS which give an added value to sectoral policy;
- 2) Planning of processes and practices: (a) to highlight and give a visibility to those SD issues which need common actions among the various sectors; (b) to ensure that the principles of sustainable development are translated in policy planning
- 3) Follow-up and communication on progress: to ensure that the administrative sectors receive information on how they have been progressing in achieving the targets set by the strategy.

Administrative sectors would remain responsible for the implementation and would report on this to the Commission. According to the interview partners, the introduction of the ex-ante assessment framework programme might provide guidance for planning the sectoral actions, in order that SD aspects are considered. The specific tasks of the administrative sectors can be summarised as follows:

- 1) planning of measures;
- 2) reporting on measures in line with their own reporting practices;
- 3) introduction of practices(through the ex-ante assessment plans)
- 4) utilising follow-up data in their own planning processes.

So far, the horizontal coordination mechanisms have not been efficient due to the lack of political impetus and proper steering mechanisms of the NSDS. For this reason, new governance mechanisms would be necessary in order to reach a better coordination among the ministries and thus ensure an effective implementation of the strategy. However, the assessment does not provide any information on new governance mechanisms or recommend changes in the current administration system. In this regard, the consultant argues that the new strategy concept might have potential for improving the strategy implementation, also in the current governance structures. Indeed, the new strategy concept is a pro-discussion forum, which sharpens the participative process of the agenda-setting. Consequently, the participative process might result to be the driver for a more effective implementation of the strategy.

Based on the evaluation result, the renewal of the strategy concept might also not lead to significantly improved results. This would be due to the lack of power characterizing the FNCSD and to the lack of importance assigned to SD in policy processes. All the interview partners have confirmed that, since the FNCSD lacks the power for implementing an effective coordination among ministries, its secretariat should be put on a higher political level (possibly to the Prime Minister Office). However, due to restricted financial resources, this is unlikely to happen. According to the civil servants from the Ministry of Environment, at present circumstances, the SD coordination can continue to be in the Ministry of the Environment. The Ministry of the Environment has longstanding experience on other cross-

departmental policy coordination (e.g. climate, biodiversity) and wide knowledge on SD aspects. However, in the future they would prefer the Prime Minister Office to take the lead by using the Ministry of the Environment knowledge and expertise in terms of SD policy.

In order to increase the political importance of the strategy, the interviews revealed policy-makers' willingness to discuss SD in a high level-institution as the Commission (governmental members and other stakeholder civil society). Their goal is to further urge the government and influence the policy making process in order to slowly provide the strategy with higher political status.

As a follow-up to the assessment, various preparatory meetings within the Ministry of Environment and the inter-ministerial network secretariat are planned. Their aim is to draft a proposal of the new strategy concept, which should include the current recommendations of the assessment and other suggestions. According to the policy-makers, the proposal is planned to be presented to the SD Commission for further discussion. Possible guidelines for the strategy might be then implemented and integrated in the 2011 government programme.

### Reflection on the assessment process: lessons learned

Based on the interview results, the assessment process has been quite successful. Although Finland is one of the front-runners in SD, the policy-makers observed that such an assessment clarified once more, despite the progress done, the obstacles that still impede an effective implementation of the NSDS. According to the policy-makers, the assessment proved to be very useful for better understanding the importance and significance of SD in the decision-making process and for identifying the current vulnerable aspects of the strategy. The ex-post reflections on the assessment process included both positive and negative experiences.

The *positive experiences* of the policy-makers relate to the collaboration process with the external consultant and among the steering group and the network secretariat. The external process of the assessment offered a “fresh perspective on new insights in the stakeholder approach and assessment processes of SD. In comparison to the previous internal evaluations and the facilitated self-evaluation of Finland’s NSDS in 2003, the policy-makers evaluated the SD assessment of 2009 as more successful in the selected methods, comprehensive analyses and in the employed evaluative processes to the administrative sectors. Seemingly, responsible for this was the longstanding experience of the external consultant. Moreover, another positive experience of the policy-makers regarded the “honesty” of the assessors towards the results of their evaluation process (i.e. as senior managers of the Ministries rejected to hold interviews, this was appropriately also reported in the assessment document).

In the light of the internal organization of the assessment, the involvement of few members in the steering group (two to three policy-makers from the Ministry of the Environment and one scientist from the Finnish Environment Institute) facilitated the coordination between the assessor and the inter-ministerial network. Moreover, the commitment of the public administrators (at least at the advisor level) for undertaking the national assessment on SD

seemed to be decisive for the process. Therefore, the interviewed policy makers recommended to other EU Member States, which are interested in conducting NSDS assessments, to ensure from the start the administrators' commitment for actively contributing to the evaluation of the NSDS.

These *positive experiences* contrasted with some negative ones. They concern the lack of the political relevance, the limited time resources for the assessment and the non-inclusion of governance mechanisms in the assessment criteria.

According to the policy-makers, despite the efforts of the Ministry of the Environment, the political relevance of this assessment in Finland remained quite low. The high-level public administrators still lack credibility of the NSDS in the formulation of their visions and targets. Many of the senior managers were not prepared to hold interviews on the assessment of the strategy. Moreover, the policy-makers would have expected a longer time span for the assessment in order to reflect better on the past and, especially, the future steps. Events using various back-casting and future scenario methods could have been very useful. Moreover, the methods used for the assessment of SD were not very participatory. Policy-makers missed substantially their involvement in the assessment methods of the material gained. As SD is a societal learning process, they would prefer a stronger involvement of stakeholders in the evaluation of the results in the future. Generally, the policy-makers missed the assessment of governing structures and mechanisms of the administration of the strategy. This evaluation might have provided further useful insights for a better implementation of the strategy in the administration. Indeed, the consultant confirmed this statement of the policy-makers. The consultant stated that future assessments of SD strategies should concentrate more on the processes and mechanisms of the strategy and less on the appropriateness of selected targets and measures in the strategy documents. They specifically emphasized the need of focusing specifically on potential improvements for the implementation of the strategy in the administration in the future.

For any further information on the assessment of SD in Finland and all related issues, interested parties might contact at the Ministry of the Environment:

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## **Appendix I**

### **Interview guide**

#### **Assessment development process**

- 1) What was your concrete role during the assessment process?
- 2) What was/were the most striking experience(s) you made during the assessment? Could you mention some highlights?
- 3) Form the methods and tools applied in the assessment process, which one were the most promising?

#### **Institutional set up**

- 4) Which changes are needed to be done to the current governance structures based on your recommendations?
- 5) What will be the new role of the National Commission on Sustainable Development and of the Ministry of Environment in the governance mechanisms of the new strategy concept (target setting, coordination, and implementation)?
- 6) How will the recommendations be further integrated in the current work of the National Commission for Sustainable Development and in the sectoral policies? (i.e. the renewal of the strategy concept, the enhancement of operational indicators, the further development of the ex-ante assessment framework of the strategy).

#### **Recommendations and follow-ups of the current assessment of sustainable development**

- 7) What is the direct contribution of your recommendations to the improvement of the identified concrete problems related to the governance mechanisms of the strategy in the following issues:
  - a) strategy target setting;
  - b) the implementation of the strategy;
  - c) assessment and monitoring process.
- 8) What will be the follow-up measures of the assessment and how will they be linked to the current strategy and to the policy planning process (national assessment)?
- 9) Could you better describe the framework of the *ex-ante assessment Programme* and the linkages and its establishment in the decision-making process?

#### **Political relevance of the assessment and recommendations to other EU Member States**



















- 10) How would you describe the political relevance of the assessment process and the report?
- 11) What would you improve in the assessment process if you would do it again?
- 12) What would you recommend to other EU Member States that would like to undertake a similar assessment?



















## **Appendix II**

The figure below represents three possible developments for each criteria, marking its outcome progress with the “hand-signs” in the picture below.



## Assessment criteria and questions

Aspect of assessment	Assessment questions	Assessment criteria	Material used
Target setting	How well have the guidelines of the strategy for sustainable development been taken into consideration in administrative sectors' own strategies and programmes?	 The guidelines presented in the strategy have been considered clearly and comprehensively in target setting within the administrative sector; sustainable development is referred to in target setting.  The guidelines presented in the strategy have been partly considered in target setting within the administrative sector, but target setting has no clear connection to sustainable development guidelines  The guidelines presented in the strategy have not been considered or have been considered to a very limited extent; sustainable development is not referred to in target setting	Ministries' key strategy documents Kohti kestävä strategia (Towards sustainable strategies), a document prepared by the Ministry of the Environment Interviews of representatives of ministries' managerial groups
	What is the level of coherence between the targets set in the strategy for sustainable development and the other targets of each administrative sector?	 Target setting lends clear support to the achievement of targets set in the strategy for sustainable development; the sustainable development perspective is clearly represented in target setting  Target setting does not lend support to the achievement of goals set in the strategy for sustainable development or partly conflicts with these goals  Target setting frequently conflicts with the targets set by the strategy for sustainable development and/or target setting is in conflict with the sustainable development targets	Ministries' key strategy documents Kohti kestävä strategia (Towards sustainable strategies), a document prepared by the Ministry of the Environment Interviews of representatives of ministries' managerial groups
	What is the level of importance of targets set for sustainable development in relation to other targets within the administrative sector?	 Sustainable development targets clearly steer target setting within the entire administrative sector and are of a major importance in comparison to other targets in the administrative sector  Target setting in the administrative sector mainly coheres with sustainable development targets but the importance of sustainable development targets varies  Sustainable development targets are clearly subordinate to the administrative sector's other targets; the importance of the sustainable development perspective is limited in general target setting	Ministries' key strategy documents Reports provided by key actors Kohti kestävä strategia (Towards sustainable strategies), a document prepared by the Ministry of the Environment Interviews of representatives of ministries' managerial groups
Measures	How many central government agencies and municipalities have prepared sustainable development programmes?	 All central state agencies and the majority of municipalities have prepared a sustainable development or corresponding programme  The majority of central state agencies and some municipalities have prepared a sustainable development or corresponding programme  Only a small number of central state agencies and municipalities have prepared a sustainable development or corresponding programme	Reports provided by key actors Estimates based on interviews and surveys
	To what extent have the actors taken the implementation guidelines prepared by the National Commission on Sustainable Development into consideration?	 The implementation guide has been considered in a comprehensive manner with regard to sustainable development targets and measures  The implementation guide has been considered with regard to only some sustainable development targets and measures  The implementation guide has been considered only partly with regard to the administrative sector's sustainable development targets and measures and/or the guide has not been utilised	Estimates based on interviews and surveys
	How well have the measures chosen promoted the targets set in the strategy for sustainable development?	 Measures taken by actors have promoted the achievement of sustainable development targets and the role of these measures in the achievement of targets is clear  Measures taken have had only a minor impact on the targets and/or the connection between the targets and these measures remains partly unclear  Measures taken have had no impact on the targets and/or the connection between the measures and the targets remains unclear	Reports provided by key actors Summary based on the reports provided by actors, interviews and analysis of document material Estimates based on interviews and surveys

Aspect of assessment	Assessment questions	Assessment criteria	Material used for assessment
Results and impacts  Achievement of targets as a whole and by theme area	How well have the objectives of the Strategy for Sustainable Development been implemented as a whole and by theme?	 Progress can be observed in nearly all target areas and theme areas  Progress can be observed in most target areas and theme areas  Progress can be observed in only some target areas and theme areas	Summary based on the reports provided by actors, interviews and analysis of document material
	What results promoting the achievement of the strategy's objectives have resulted from the strategy work?	 The strategy process has launched the planning of sustainable development targets and measures  The strategy process has provided tools for the planning of sustainable development targets and measures  The strategy process has had no significant impact on the planning of sustainable development targets and measures	Summary based on the reports provided by actors, interviews and analysis of document  Estimates based on interviews and surveys
	What is the state of sustainable development in Finland and how has it developed?	 75% of the indicators show positive and/or sustainable development  50% of the indicators show positive and/or sustainable development  25% of the indicators show sustainable development	Indicator data
Follow-up and assessment Follow-up and assessment of the achievement of the targets	Do the follow-up indicators adequately facilitate the implementation of the strategy?	 Most stakeholder groups have used the indicators and consider them important and useful in the follow-up and assessment of sustainable development  Some stakeholder groups have used the indicators and consider them important and useful in the follow-up and assessment of sustainable development  Only a small proportion of stakeholder groups consider the indicators important and/or useful in the follow-up and assessment of sustainable development or they are not aware of, or have not used, the indicators	Analysis of document material  Estimates based on interviews and surveys
	How well does the current follow-up and assessment system facilitate the implementation of the strategy?	 Most stakeholder groups consider the follow-up and assessment system an important part of the strategy's implementation. The data provided by the system can be easily utilised in the planning and implementation of sustainable development measures and/or this data has also been so utilised  Some stakeholder groups consider the follow-up and assessment system an important part of the strategy's implementation or that the data provided by the system can be easily utilised in the planning and implementation of sustainable development measures, but there is no proof that the data has been so utilised  Only a small proportion of stakeholder groups consider the follow-up and assessment system important with regard to planning sustainable development, or the system has not been used	Analysis of document material  Estimates based on interviews and surveys
	How comprehensive, reliable and up-to-date is the data available on the status of sustainable development?	 Most stakeholder groups consider the data provided by the follow-up and assessment system comprehensive, reliable and up-to-date and the data has been used in planning sustainable development targets and measures  Some stakeholder groups consider the data provided by the follow-up and assessment system comprehensive, reliable and up-to-date in the planning of sustainable development targets and measures, but their use of the data varies  Only a small proportion of stakeholder groups consider the data provided by the follow-up and assessment system comprehensive, reliable and up-to-date in the planning of sustainable development targets and measures, or they do not use the data	Analysis of document material  Estimates based on interviews and surveys

Source: Ministry of the Environment, 2010: 18-19

## Appendix III

### **Ex-ante assessment framework**

During the national assessment of sustainable development, the assessors, in cooperation with the Ministry of the Environment, have been developing a pilot version of an ex-ante assessment model for use in Finland. Methods used in other countries were analysed for the basis of the related development work. The assessment framework is intended for use as a policy planning tool. Its assessment factors are based on the targets and indicators of the NSDS (see figure on the next page). In this respect, the assessment framework matches the effectiveness of the strategy. The assessment framework includes six elements for each assessment factor.

The first of these elements is *likely impacts*, describing the likely change related to the assessment factor (for instance, the average CO<sub>2</sub> emissions of new cars will fall below 130 g/km in 2015). The second element of the assessment framework is the impact mechanism referring to the mechanism by which impacts are obtained (for instance, changes in taxation have impacts on consumer behaviour). The third element is recognised risks: this refers to factors that potentially prevent the expected impact (for instance, the more frequent use of cars producing fewer emissions). The fourth component describes the direction of the impact on a scale ranging from very negative (-3) to very positive (+3). Zero is used to describe a situation where the measure has no effect on the assessment factor in question. The fifth element defines the probability of the impact, assessed on a scale from 1 to 3. The final element defines the sustainable development index of the assessment factor in question, based on the direction and probability of the impact. The assessment framework is available in a draft version only. Prior to its introduction, the framework should be piloted and further developed based on the experience gained during the piloting phase.

Assessment factor	Likely impact	Impact mechanism	Recognised risks	Direction of the impact	Probability	Sustainable development index
<b>USE AND PROTECTION OF NATURAL RESOURCES</b>						
Greenhouse gas emissions	Average CO <sub>2</sub> emissions of new cars will fall below 130 g/km in 2015	Changes in taxation have impacts on consumer behaviour.	Wider use of cars producing fewer emissions	<div> <div>+3 +2 +1</div> <div>-1 -2 -3</div> </div>	3 = great 2 = moderate 1 = small	Impact x probability
Total energy consumption						
Use of renewable energy sources						
Proportion of endangered species by habitat						
Acidifying emissions and eutrophying discharges						
Use of non-renewable natural resources						
Nutrient load to the Baltic Sea						
<b>COMMUNITIES AND REGIONAL STRUCTURE</b>						
Distance to services						
Amount of passenger transportation						
Coherence of regional structure						
Regional differences in dependency ratio						
Citizens' satisfaction in services						
<b>WELL-BEING OF CITIZENS</b>						
Retirement age						
Quality of working life						
Exclusion and poverty						
Healthy lifestyles						
Integration of immigrants						
Voting activity and civil activity						
<b>ECONOMY AS A SAFEGUARD FOR SUSTAINABLE DEVELOPMENT</b>						
Competitiveness of enterprises						
Productivity of production of goods and service provision						
Dependency ratio						
Public debt						
Unemployment						
<b>FINLAND AS A GLOBAL ACTOR AND BEARER OF RESPONSIBILITY</b>						
Resources of development cooperation						
Development of neighbouring regions						
Availability of new technologies and IT solutions in developing countries						
<b>SUPPORTING SUSTAINABLE CHOICES</b>						
Resources of R&D activities						
Production and distribution of information supporting sustainable choices						
Changes in attitudes and values						

Source: Ministry of the Environment, 2010: 80

# **International approaches to measure wealth and well-being in the context of sustainable development**

## ***ESDN Case Study No. 3***

***Nisida Gjoksi***

***ESDN Office Team***

[www.sd-network.eu](http://www.sd-network.eu)

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## Introduction

The debate on the Gross Domestic Product (GDP) has been ongoing since some time: academic circles have questioned the appropriateness of GDP in measuring societal progress beyond economic growth already in the 1980s and 1990s. This concern has lately stepped from academic circles into the spot light of policy-making and public debates and seems to gain momentum through various initiatives at the national and international level. Against this background, this ESDN Case Study aims to take stock of the various international activities on the measurement of societal progress which raise awareness on critical issues of the GDP indicator as a measure of well-being and societal progress.

This case study is divided in five chapters. The first and second chapter outline the most important initiatives at the European level, based on the European Commission's Communication "GDP and beyond" and the Commission on the Measurement of Economic Performance and Social Progress (commonly referred to as Stiglitz Commission). The third and fourth chapter focus on the international level, drawing on the activities of the OECD Global Project on measuring societal progress and well-being and three United Nations activities, the UNEP The Economics of Ecosystems and Biodiversity (TEEB), United Nations Development Program initiative on replacing the GDP indicator with a more comprehensive indicator on human development, such as the Human Development Index and UNECE work on measuring sustainable development indicators. The focus will be on the objectives and background of the initiatives as well as on their methodological and measurement approach towards well-being indicators. Similarities and differences will then be summarized in the last chapter.

The ESDN Case Study No.3 is drafted as a preparatory document for the 6<sup>th</sup> ESDN Workshop on 2-3 December 2010 in Berlin. The case study aims to provide a basis for knowledge and exchange on the initiatives 'beyond GDP' for the ESDN Workshop participants.

## **European Commission: “GDP and Beyond – Measuring progress, true wealth and the wellbeing of nations”**

### **Background and objective**

The European Commission launched its initiative on the measurement of wealth and wellbeing of countries “beyond GDP” in 2007. According to the European Commission, the EU is committed to take the lead in the move to integrate non-economic factors into policy-making by 2010 ([EURactive 2007](#)). In November 2007, the high-level [conference “Beyond GDP”](#) was hosted by the European Commission, the European Parliament, the Club of Rome, OECD and WWF (please click here for a [summary of the conference results](#)).

The general aim of the initiative is to measure “true” progress, taking environmental and social indicators into consideration, which are not reflected in the current measurement of economic growth through the GDP indicators ([EurActive 2007](#)). Moreover, the initiative aimed not only to present possible indicators, but rather to give a signal to both policy-makers and the public “that it is time to go beyond GDP” (EU Parliament Policy Department Economic and Scientific Policy, 2007). The conference results revealed a strong support from policy-makers, economic, social and environmental experts as well as civil society organisations for developing indicators to complement GDP (EurActive, 2007). On 20 August 2009, the European Commission released its communication to the EU Council and EU Parliament, [“GDP and beyond: Measuring progress in a changing world”](#), which is a direct outcome of the [“Beyond GDP” conference](#) in 2007 and outlines a roadmap for the EU with five key actions. Importantly, the change in title of the conference (“beyond GDP”) and the Communication (“GDP and beyond”) also signify a change in approach.

The EU measurement framework of going beyond GDP is linked to the policy developments regarding the renewal of the Lisbon Strategy and the launching of *Europe 2020 strategy*. The reflection on complementing GDP is not new, but the political momentum of considering these issues on the political agenda is growing<sup>1</sup>. The economic crisis gave a window of opportunity to rethink the growth concepts and market performance based on GDP growth. The European Council recognized this need and used the crisis as an opportunity to set the economy on a path of low-carbon and resource-efficient economy (European Commission, 2009). The need of inclusive markets, considering environmental and social cost and not only market benefits and costs, requires indicators which are also able to track social and environmental achievements (e.g. social cohesion, accessibility of basic goods and services, education and public health and air quality). These developed indicators should then be integrated for the review of EU SDS and the Europe 2020 strategy (EESC, 2008).

### **Measuring well-being in the context of sustainable development**

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<sup>1</sup> The call on measuring wellbeing, stepping from academic circles (developed in the 1970s and 1980s) into the political agendas of the EU Commission and international organizations is a “crucial qualitative step” compared to years ago (Hönerbach & Mayer-Ries, 2009).



The European Commission with its communication “GDP and beyond” does not aim to replace GDP, but to complement it with other top-level indicators in order to provide a more accurate view of progress in social, economic and environmental spheres (EU Commission, 2009). The Commission’s communication developed a roadmap by setting out five key action areas:

- 1) Complementing GDP with environmental and social indicators;
- 2) Near-real time information for decision-making;
- 3) More accurate reporting on distribution and inequalities;
- 4) Developing a European Sustainable Development Scoreboard;
- 5) Extending National Accounts to environmental and social issues.

In its communication, the EU Commission recognizes the weaknesses of GDP in providing information for the overall progress of a society (EU Commission, 2009). This argued has also been brought forward by the Commission President Barroso in the “Beyond GDP” Conference: “GDP is an indicator of economic market activity. It was not intended to be an accurate measure for well-being”. (Speech held at the [International conference on beyond GDP](#)). Moreover, Joaquin Almunia, Commissioner for Economic and Monetary Affairs also stressed the inadequacy of the GDP to take into account sustainable consumption and production patterns (Hinterberger et al 2009, 19).

### Relation to environmental aspects

The European Commission’s Roadmap and the communication “GDP and beyond” aim to supplement GDP with environmental and social information. This is recommended to be done on one hand by the integration of environmental satellite account systems to the conventional national accounts and On the other hand by setting the social and environmental information in relation to GDP.

Currently, there is no comprehensive environmental indicator<sup>2</sup>. The EU Commission, together with Eurostat, is increasing efforts to develop communication instruments, such as the *composite indicators (environmental index)*, for raising awareness in the public debate on environmental performance as part of the societal progress. This composite indicator will include topics such as: *climate change and energy use, nature and biodiversity, air pollution and health impacts, water use and pollution, waste generation and use of resources*. The next step will be the development of another indicator on *environmental quality*, describing the number of European citizens living in a healthy environment. These indicators, when published annually with GDP and other social indicators, will inform the public, firstly, on environmental protection and, secondly, if the progress has been achieved. For offering updated information on environmental indicators in decision-making, the European Commission is also planning to establish “satellite accounts” on environmental and social issues for a more real time information. The communication “GDP and beyond” does not only specify the importance of environmental indicators as communication tools to the public or for the policy-making, but also refers to the extension and further improvement on

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<sup>2</sup> The only two indicators: Ecological and Carbon foot print are limited in scope. The first one excludes some impacts (water). The Carbon footprint summarizes only green house gas emissions.

data collection of natural capital stocks (fisheries and stocks)<sup>3</sup>. The long-term actions are to further work on data collection for the physical flow accounts and material consumption as well as the monetary accounts. The Commission, therefore, aims to monetise in the long-term the costs and benefits of the environmental damage and protection<sup>4</sup>.

Concerning sustainable development, a “*Sustainable Development Scoreboard*” is planned to be established so that scientists across the EU-27 can work on threshold values for key pollutants and renewable resources to inform policy debate and target setting as well as to exchange information in this field with policy-makers. It remains unclear in the communication whether the environment is observed as an indirect/enabling or direct factor to well-being and welfare<sup>5</sup>. It needs to be distinguished how well-being is measured (aggregated or individual indicators) and what the measurement subject is.

### **Relation to social well-being (quality of life)**

GDP should not only be supplemented with environmental information, but also with social information. The measures of supplementing GDP are of short- and long-term importance. The short-term actions comprise the improvement of quality-of-life indicators as well as the development of more timely social indicators, and more accurate reporting on distribution and inequalities (satellite account system). The communication of the European Commission does not clarify any methodological or conceptual implications whether the quality-of-life measurement will be based on subjective indicators or on objective ones, such as the domains of life influencing well-being (e.g. education, health, income). The Commission only mentions that input indicators of income, health, leisure, wealth, mobility and clean environment should be further complemented with outcome indicators. In the long-term, the social information should then be better integrated in the national accounts.

In the medium- and long-term, the integrated environmental, social and economic accounting, which is one of the five key actions areas of the European Commission’s communication, is likely to be “the strongest tool for the promotion the measurement of well-being and progress” ([Joaquin Alumina, Commissioner for Economic and Monetary Affairs](#)).

### **Implementation and follow-up**

The initiative in the EU to go beyond GDP has not only resulted in a technical engagement of Eurostat in implementing its actions, but it has also been debated in various political institutions, such as the EU Parliament and European Economic and Social Committee. This sub-section outlines, firstly, Eurostat’s work and its first set of variables for measuring well-

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<sup>3</sup> The first EU strategy on greening accounting was presented in 1994. Since then, Eurostat and Member States, together with the UN and OECD, have developed and tested accounting methods to the point where several Member States provide first sets of environmental accounts.

<sup>4</sup> The most advanced ones are on forests and fisheries.

<sup>5</sup> Linkages between social exclusion and environmental deprivation are provided in the study of see “Addressing the social dimensions of environmental policy”, study commissioned by DG EMPL, July 2008; see <http://ec.europa.eu/social/main.jsp?catId=88&langId=en&eventId=145>.

being. Secondly, it describes shortly how political institutions engage in the implementation of the initiative.

Eurostat currently not only works on the key actions of the “GDP and beyond” communication but also coordinates all activities within the European Commission and the European Statistical System (EES) for this initiative at the national and international level. It does this mainly through two groups:

- a) Within the ESS, the **Sponsorship Group on “Measuring progress, well-being and sustainable development”**, co-chaired by Eurostat and FR-INSEE (National Statistical Institute of France), with the participation of 16 EU Member States as well as OECD and UNECE.
- b) Within the European Commission, the **Inter-departmental Co-ordination Group**, co-chaired by Eurostat and DG Environment, with the participation of 11 Commission DGs and three agencies. The group co-ordinates actions as well as communication and cooperation activities.

The achievement of Eurostat can be noticed in various actions areas of the European Commission communication. In the first action area, it has already produced a [feasibility study for well-being indicators](#), where it proposes a set of variables to measure well-being in the EU-27. In this study, Eurostat compares its approach with other beyond GDP initiatives, such as the OECD Global Project on Measuring Progress and Well-being and the Stiglitz Commission. Based on the feasibility study, the measurement of well-being at the European level should not be based on composite indicators, but on an indicator set with the following characteristics:

- *Multidimensional and integral*: The model of well-being is multidimensional. Therefore, Eurostat recommends an “integral framework”, covering all aspects of well-being (incl. outcome measures, personal characteristics, external context factors and measures of what people do with these characteristics and societal conditions). Eurostat distinguishes between outcomes and drivers of well-being. For the outcome measure, Eurostat proposes a *composite outcome indicator*, consisting of “health” and “life-satisfaction” indicators weighted equally (*SALY*). For the drivers/components side (dimensions of well-being), the framework requires an [indicator set](#) for sufficient analytical and communicative value.
- *Combining subjective and objective substances*: Both approaches should be merged into a complete set of relevant components and used in the well-being indicators set. This feasibility study has resulted in a first proposition for a set of variables to measure well-being in the EU-27.

Moreover, Eurostat published data on *net domestic products and real adjusted gross disposable income of household* and it plans to provide quarterly updates of the statistics on real disposable income, which were first delivered in April 2010 (for more information, please go to the [Eurostat homepage](#)).

Beside the Eurostat technical work on the measurement of well-being, the communication “GDP and beyond”, together with its roadmap, have found resonance in various EU institutions, such as the EU Parliament and the European Economic Social Committee. It has

been discussed in September/October 2010 in the EU Parliament within five of its committees ([Committees on Regional Development](#); [Employment and Social Affairs](#); [Industry, Research and Energy](#); [Development](#), and [Economic and Financial Affairs](#)). The results of the draft opinions can be summarised as follows:

Generally, all EU Parliament Committees declared that GDP is not a suitable indicator because:

- as it cannot assess regional cohesion and policies (European Parliament (2010a);
- it ignores non-market aspects (work from home, voluntary work) which are important to assess social well-being (European Parliament (2010c); and
- it ignores social and environmental gains and losses (European Parliament (2010b)).

Therefore, they advise on supplementing GDP with other social and environmental indicators at least until 2014, for a better policy planning of regional programmes. Moreover, a proposal from the European Commission to the EU Parliament on "[Regulation on European Environmental Economic Accounts](#)"<sup>6</sup> should enter into force soon after its publication in the Official Journal of the European Union.

In April 2010, the European Economic and Social Committee (EESC) welcomed the Commission's communication "GDP and beyond" and the initiatives it outlines. The EESC also recognizes "the process of making the changes that are being prepared is neither short nor simple" ([EESC, 2008](#)). Therefore, it suggests that other interested parties, such as the DG economics of the Commission, European Environmental Agency and Eurostat, to be integrated in the early stages of the analytical planning of these instruments. EESC also recommends integrating the measures and linking them with the review process of the current policies and strategies Europe 2020 and EU SDS.

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<sup>6</sup> This regulation establishes a common framework for the collection, compilation, transmission and evaluation of European environmental economic accounts for the purpose of setting up environmental economic accounts as satellite accounts to ESA 95 by providing methodology, common standards, definitions, classifications and accounting rules, intended to be used for compiling environmental economic accounts (European Commission, 2010, Article 1).

# **Commission on the Measurement of Economic Performance and Social Progress (Stiglitz Commission)**

## **Background and objective**

The Commission on the Measurement of Economic Performance and Social Progress (CMEPSP) – also referred to as Stiglitz Commission – has been established at the beginning of 2008 on the initiative of the French government. President Sarkozy himself raised the increasing concern on the mismatch between indicators (GDP) that refer to continuous progress and the increasing difficulties that the French people experience in their daily life<sup>7</sup>. The aim of the Commission was:

- to identify the limits of GDP as an indicator of economic performance and social progress, and to consider additional information required for the production of a more relevant picture;
- to discuss how to present this information in the most appropriate way;
- to check the feasibility of measurement tools proposed by the Commission.

The Commission, headed by the famous economists Joseph Stiglitz (chair), Amartya Sen (chair advisor) and Jean Paul Fitoussi (coordinator), held its first meeting in spring 2008 in Paris and delivered its [final report](#) in autumn 2009. The Commission's final report strives to give recommendations on around three topics:

- limits and potential of GDP as indicator;
- quality of life and
- sustainable development and environment.

The Stiglitz Commission regarded its report as opening a discussion which should be then further taken on at the national and international level. However, the report argues, “as what we measure shapes what we collectively strive to pursue – and what we pursue determines what we measure – the report and its implementation may have a significant impact on the way in which our societies look at themselves and, therefore, on the way in which policies are designed, implemented and assessed” (Stiglitz, et al., 2009, 9).

## **Measuring well-being in the context of sustainable development**

According to the Stiglitz Commission, well-being is related to economic, social and environmental well-being. It plays a role not only in the present but also in future. It regards well-being as multidimensional<sup>8</sup>. In this context, the measurement of current well-being can be aggregated in monetary units (economic well-being) or along dimensions that are less amenable to conversion into monetary units (quality-of-life). Moreover, the measurement of

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<sup>7</sup> *Les Echos*, 17th August 2009. <http://www.lesechos.fr/info/france/020102965322.htm>

<sup>8</sup> The Commission has identified following dimension that should be taken into account when defining what well-being is: (1) Material living standards; (2) Health; (3) Education; (4) Personal activities including work; (5) political voice and governance; (6) social connections and relationships; (7) environment (present and future generations); (8) Insecurity of an economic as well physical nature (Stiglitz et al., 2009, 14-15).

well-being poses the challenge of determining whether the current level of well-being can be at least maintained for future periods or future generations.

### Relation to economic activities (critique of GDP)

The Stiglitz Commission emphasises that GDP should not be dismissed. However, the Commission argues that GDP fails to provide information on well-being. It is an indicator of market activity based on production and does not really show how well-off people are. For instance, production/profit can increase but income can decrease due to various factors (e.g. depreciation, income flows, and differences between the prices).

The Commission's recommendations are based on adjusting GDP for better information on economic well-being. When looking on people's well-being, one should less observe the performance of economies (real GDP per capita) as a whole, but emphasize the household perspective based on citizens material living standards (objective part of well-being captured from other national accounts aggregates, such as the net national income, real household income and consumption). Generally, the report argued that GDP should be adjusted in three aspects:

- Firstly, from the production side, it should better capture structural changes in economic performance (such as the shift from measuring output in quantitative terms, for instance cars or computers, towards more qualitative change (such as medical service, educational services): "Capturing quality change (...) is vital to measuring real income and real consumption, some of the key determinants of people's material well-being". (Stiglitz et al., 2009, 11).
- Secondly, a better measurement of government output (e.g. number of medical treatments) and not only government input (e.g. the number of doctors) is needed to better reflect the productivity change of a sector and its contribution to economic growth.
- Thirdly, inclusion of non-market activities in the production side (e.g. home work and other services).
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Out of its 12 recommendations, 5 are dedicated to critical GDP issues:

- |   |
|---|
| <ul style="list-style-type: none"><li>• <b>Recommendation 1:</b> When evaluating material well-being, look at income and consumption rather than production</li><li>• <b>Recommendation 2:</b> Emphasize the household perspective</li><li>• <b>Recommendation 3:</b> Consider income and consumption jointly with wealth</li><li>• <b>Recommendation 4:</b> Give more prominence to the distribution of income, consumption wealth</li><li>• <b>Recommendation 5:</b> Broaden income measures to non-market activities</li></ul> |
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## Relation to societal issues (quality-of-life)

The well-being definition is multidimensional and the report calls for the use of multiple measures when trying to cover well-being<sup>9</sup>. The Stiglitz Commission recognizes that well-being can not only be measured on economic terms must go beyond that and include people's *objective conditions and capabilities* (e.g. health, education, personal activities, political voice and governance,) and their *subjective experiences of quality-of-life* (e.g. self reported levels of happiness, pleasure and fulfilment as satisfaction): "Quality-of-life includes the full range of factors that make life worth living, including those that are not traded in markets and not captured by monetary measures". Therefore, according to the Commission's report, GDP should be supplemented with other indicators, measuring subjective experiences and objective conditions which shape quality of life: "These measures, while not replacing conventional economic indicators, provide an opportunity to enrich policy discussions and to inform people's view of the conditions of the communities in which they live" (Stiglitz et al. 2009, 57).

Methodologically, the Commission's report recommends not only objective and subjective data, but also indicators on inequalities based on socio-economic groups, such as gender and generations. Moreover, the data should not only be aggregated across quality-of-life dimensions (e.g. health, environment, etc) allowing the construction of different outcome indexes (e. g Human Development Index, or SALY), but surveys should be designed to also assess the links between various quality-of-life domains for each person.

The recommendations concerning *quality-of-life measurement* are:

**Recommendation 6:** Quality-of-life depends on people's objective conditions and capabilities. Steps should be taken to improve measures of people's health, education, personal activities and environmental conditions. In particular, substantial effort should be devoted to developing and implementing robust, reliable measures of social connections, political voice, and insecurity that can be shown to predict life satisfaction.

**Recommendation 7:** Quality-of-life indicators in all the dimensions covered should assess inequalities in a comprehensive way.

**Recommendation 8:** Surveys should be designed to assess the links between various quality-of-life domains for each person, and this information should be used when designing policies in various fields.

**Recommendation 9:** Statistical offices should provide the information needed to aggregate across quality-of-life dimensions, allowing the construction of different indexes.

**Recommendation 10:** Measures of both objective and subjective well-being provide key information about people's quality of life. Statistical offices should incorporate questions to capture people's life evaluations, hedonic experiences and priorities in their own survey.

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<sup>9</sup> The Commission identifies dimension that should be taken into account when defining what well-being is: (1) material living standards; (2) health;(3) education;(4) personal activities including work;(5) political voice and governance;(6) social connections and relationships;(7) environment (present and future generations);(8) insecurity of an economic as well physical nature (Stiglitz et al 2009, 14-15).



## Relation to environmental sustainability

According to the Stiglitz Commission, the assessment of environmental sustainability is complementary to the question of current well-being or economic performance and must be examined separately: “Sustainability poses the *challenge of determining whether we can hope to see the current level of well-being at least maintained for future periods or future generations*. It is no longer a question of measuring the present, but of predicting the future, and this prospective dimension multiplies the difficulties” (Stiglitz et al. 2009, 61).

The Commission criticizes the majority of proposals which have been made so far for measuring sustainability in quantitative terms<sup>10</sup>. The Stiglitz Commission approach varies distinctively from other approaches as it distinguishes between the “measurement of current well-being, economic activities”, on one hand, and “the assessment of its sustainability”, on the other hand (Stiglitz et al., 2009, 61). Based on such restriction when it comes to measuring sustainability, the Commission’s report focuses on what the literature calls a “wealth or stock based approach” (ibid). This means that different types of capital like economic, social, human and environmental capital should be preserved for future generations. But Stiglitz Commission also points out that the difficulties in measuring various kinds of capital are not solved yet. This holds especially true for *natural capital* and for the *monetary valuation of natural and also social capital*. Considering the substantial constraints in implementing the capital approach, Stiglitz report draws pragmatic conclusions. It recommends measuring sustainable development and environment with two sets of indicators – so-called dashboards, one focused on economic and one on environmental aspects of sustainability. The Stiglitz Commission encompasses the two following recommendations on environmental sustainability:

**Recommendation 11:** Sustainability assessment requires a well identified dashboard of indicators. The distinctive feature of components of this dashboard should be that they are interpretable as variations of some underlying “stocks”. A monetary index of sustainability has its place in such a dashboard but, under the current state of the art, it should remain essentially focused on economic aspects of sustainability.

**Recommendation 12:** The environmental aspects of sustainability deserve a separate follow up based on a well-chosen set of physical indicators. In particular there is a need for a clear indicator of our proximity to dangerous levels of environmental damage (such as associated with climate change or the depletion of fishing stocks).

## Implementation and follow-up

The Commission regards its report as opening a discussion. The Commission findings and their endorsement by President Sarkozy represent a will to reassess the way progress is measured. Therefore, it represents an ally both, politically and in terms of technical

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<sup>10</sup> Green GDP, Dashboard of SD, Olsberg and Sharpe’s Index of Economic Well-being have been subject to many objections. ANS-Adjusted net savings (of the World Bank) and footprint evaluations are the best proxies of what would be genuine indices of changes in extended wealth or its components. (Stiglitz et al., 2009, 62-72)



knowledge, which has found wide usage and has been taken up from various organizations at the international level:

- OECD has integrated the Stiglitz Commission recommendations in its labour programmes and the green growth strategy;
- [Eurostat and FR-INSEE](#) (National Statistical Institute of France) sponsorship group in which the national statistical institutes of 16 EU Member States as well as OECD and UNECE collaborate, is currently establishing 4 taskforces: three on the topics of the Stiglitz Commission report and one on the coordination. Within this sponsorship group, roundtables at the national level are established with other stakeholders;
- Other bodies at the national and international level have discussed the recommendations of the Stiglitz report, identified its limits, and analyzed how best they can contribute to this broad agenda, each from their own perspective ([Eurostat feasibility study on wellbeing indicators](#)).
- The mandate “Sarkozy –Merkel” on the preparation of a German-French cooperation report on “What is economic growth in the 21<sup>st</sup> century and what is prosperity for industrialised developed nations?”. The preparation of this concept will be based on the Stiglitz Commission’s report and the results will then be introduced in a conference held in Berlin in 2010.
- United Nations Statistical Commission has placed the implementation of the Stiglitz Report recommendation on top its priorities.

# OECD - Global Project on Measuring the Progress of Societies and Well-being

## Background and objective

The OECD has started to address the concerns on measuring societal progress through the world forums on “Statistics, Knowledge and Policies” held in Palermo (2004) and Istanbul (2007). The conference in 2007 led to the Istanbul Declaration on Measuring and Fostering the Progress of Societies, jointly agreed by the European Commission, the OECD, the UNDP, the World Bank, and the Organisation of the Islamic Conference. To achieve the goals of the declaration, a partnership based Global Project on Measuring the Progress of Societies was launched in 2007 (OECD, 2009). Both, the Istanbul Declaration and the Report of the Stiglitz Commission, proposed to move from the current measurement system, based on the metrics of production, to a system that focuses on societal well-being and progress (OECD, 2007).

The aim of the Global Project is not to impose one definition of progress worldwide, but as the Istanbul Declaration advocates, “to encourage communities to consider for themselves what ‘progress’ means in the 21st century” ([OECD, Global Project Homepage](#)). Therefore, the Global Project objectives are to: (1) stimulate national and international debates on societal progress and its measurement; (2) create a network of networks for advocacy and for sharing information on progress.

The Global Project, initially, has endeavoured to provide a network for the many initiatives and international projects aimed at “going beyond GDP” to measure societal well-being, quality-of-life and progress by organising the world forums conferences and offering trainings (OECD, 2009). Lately, this focus has shifted towards engaging more technically in measurement on how to measure well-being by:

- 1) setting priorities for the statistical agenda<sup>11</sup>;
- 2) developing measures, methods and tools;
- 3) improving and enhancing policy making (OECD, 2009, 3).

Due to this shift of focus, the OECD Global Project has been recently renamed as “Measuring the Progress of Societies and Well-being”. The OECD seems well-placed to contribute to the implementation of this agenda, based on its long standing experience and its substantive contribution to the work of the Stiglitz Commission (the OECD Chief Statistician was a member of the Stiglitz Commission and senior staff of the OECD acted as rapporteurs).

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<sup>11</sup> The recent World forum conference on “charting progress, building visions, improving life” emphasized and reoriented the direction by pointing out that there not only is a better need of measurement of progress but also changing the basic global paradigm of progress for people and nations, from production to equitable and sustainable well-being (see: <http://www.oecdworldforum2009.org>).

## OECD Framework on measuring well-being

The OECD statistics directorate has compiled a [framework for progress](#) that could provide a useful starting point for anyone engaged in an initiative to develop a set of societal progress indicators (OECD, 2010). The need of such a framework is built on the current critique of the national accounts which are regarded as not a suitable measure of economic well-being due to shortcomings such as incomplete coverage of non market activity; restricted coverage of assets and depreciations; and lack of information on distributional, generation of income, on life-cycle and inter-generational features. The developed framework is broad enough to be adaptable to different cultures and scopes. It is not a “model how the world works”, but a framework which includes all important aspects for “selecting and presenting the key measures of societal progress” (OECD, 2010, 13). The [taxonomy](#) comprises most of the alternative frameworks proposed so far and is coherent with the Stiglitz Commission report.

The aim of this framework is (i) to identify gaps in existing statistical standards and build a research programme to fill these gaps, and (ii) to structure the official website of the Global Project -Wiki-progress<sup>12</sup> (see [www.wikiprogress.org](http://www.wikiprogress.org)). The OECD framework<sup>13</sup> regards the “progress of society”

- as a multidimensional concept encompassing material and immaterial aspects of well-being; the framework recognizes that various concepts are linked to the progress concept such as well-being, quality-of-life, life-satisfaction and sustainable development<sup>14</sup>(para. 16);
- as a dynamic concept requiring both, looking at the past and considering the future, such as sustainability of current level of well-being (par. 16)
- measured in subjective and objective measures (para. 36)
- by taking in consideration inequalities, distributional (para. 34) and sustainability issues (para. 39).

The framework considers that societies are based on two systems: the human system and the ecosystem. They are linked through two different channels, “resource management” and “ecosystem services”) (OECD, 2010). Therefore, it defines well-being of a society “as the sum of the human wellbeing and the ecosystem condition and progress of society as the improvement in human wellbeing” (OECD, 2010, 12). Social progress is defined as the “improvement in the sustainable and equitable wellbeing of a society” (OECD, 2010, 12).

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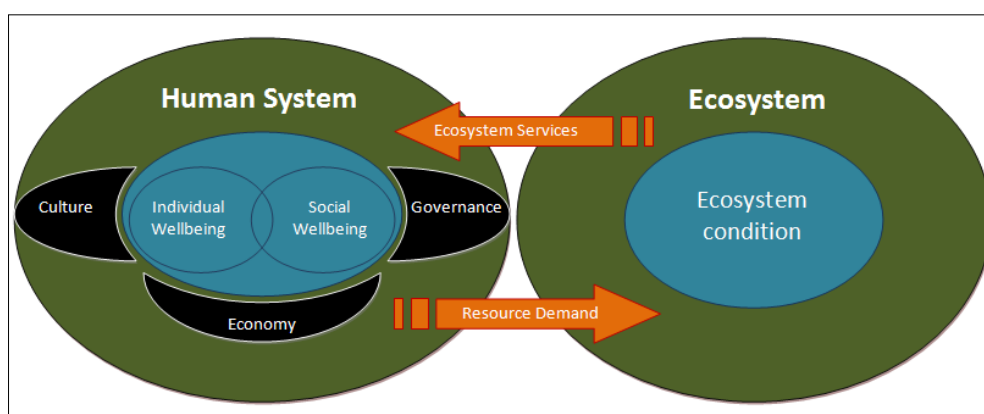
<sup>12</sup> Wikiprogress is a global platform for sharing information in order to evaluate societal [progress](#). It is a place to find information and statistics to facilitate the exchange of ideas, initiatives and knowledge on “[measuring the progress of societies](#)”. It is open to all members and communities for contribution– students and researchers, civil society organizations, governmental and intergovernmental organizations, multilateral institutions, businesses, statistical offices, community organizations and individuals – anyone who has an interest in the concept of “[progress](#)”.

<sup>13</sup> The OECD framework is based on the work of Robert Prescott-Allen (2001), *The well-being of nations*, Washington DC: Island Press.

<sup>14</sup> “Life satisfaction” focuses on the subjective assessment of different elements that affect individual lives, “wellbeing” has been used to refer to objective living conditions. While both concepts refer to the condition of the current generation, “sustainable development” tries to take into consideration the wellbeing of future generations, introducing an intergenerational dimension in assessing current wellbeing that is often absent in other frameworks (OECD, 2009).

## Relation to human well-being

The framework of progress of societies distinguishes between domains and dimensions within these domains. The key domain is human well-being. This dimension should be based on physical and mental health (based on the data of HDI and WHO). Well-being sits within the human system, which includes the economy, culture and governance as “pillars to human well-being” or drivers. Other domains such as economy (national income and wealth), culture (heritage) and governance (human rights, civic and political engagement, security and violence, trust, access to services) offer an enabling environment for human well-being. Therefore, human well-being (outcomes for people) is considered as a final goal and the other three domains are considered as “intermediate goals” (OECD, 2010, 11). Human well-being is again to be subcategorised in individual well-being and social well-being. The OECD framework for progress of society is summarised in Graph 1 below:



**Graph 1: The OECD framework of the progress of societies (OECD, 2010, 15)**

## Relation to environmental well-being

The framework presents not only the human system, but also the ecosystem as decisive for well-being. According to the OECD framework, ecosystem well-being is equally important as the human system if one sees the ecosystem as important in its own right (eco-centric view) or if one takes a more anthropocentric view<sup>15</sup> in which the ecosystem is viewed as important because simply it provides the human system with resources and services which contribute to human well-being (OECD, 2010). The OECD framework does not dictate which is the best approach how to regard ecosystem well-being and mainly serves as a starting point to countries which are interested in measuring well-being.

According to the OECD framework, the ecosystem has only one domain (ecosystem condition), which represents the well-being of the ecosystem. The ecosystem condition

<sup>15</sup> Anthropocentrism is a concept that human beings may regard themselves as the central and most significant entities in the universe, or that they assess reality through an exclusively human perspective. Anthropocentrism is alleged to leave the case for the protection of non-human nature subject to the demands of human utility, and thus never more than contingent on the demands of human welfare. An ecocentric ethic, by contrast, is believed to be necessary in order to develop a non-contingent basis for protecting the natural world.

(outcomes for the environment) (see Graph 1) is defined as a final goal in the OECD taxonomy. The ecosystem conditions are measured along following dimensions:

- Land (geosphere),
- Freshwater, oceans and seas (hydrosphere)
- Biodiversity (biosphere)
- Air (atmosphere).

The relation of the ecosystem to the human system is linked along two channels: (a) ecosystem services and (b) resource management. Resources management represents the effects of the human system on the ecosystem through resource depletion and pollution. Its dimensions where outcomes should be measured are: resource extraction and consumption; pollution and protection and conservation of economic and environmental assets. Ecosystem services link the two systems in both directions. The ecosystem benefits the human system through positives services like food, clean water, etc. But it can also do damage through earthquakes and floods. The human system may also provide positive services to the ecosystem (or its capacity for supporting life) through providing food and water for wild animals in times of hardship, tackling invasive species and so on.

### **Relation to sustainability**

Intra- and inter-generational aspects of measurement are also included in the OECD framework. The first one comprises measurement along the equity/inequality dimensions of human well-being and ecosystem condition across societies, geographical regions and generations. It is argued that distributional aspects of today cannot be assessed without considering its sustainability over time. Inter-generational aspects apply to sustainability, vulnerability and resilience issues. All of them have an inter-temporal dimension and can be important for individuals as social groups. These inter-temporal considerations can be taken throughout the framework.

### **Implementation and follow-up**

The process launched by the OECD in 2004 has opened up an ambitious agenda. Indeed, the OECD Global Project has been influential for a variety of national initiatives ([OECD 3rd World Forum Homepage](#)). As part of the Global Project implementation, countries have established national roundtables to measure progress and developed a variety of research projects. One important output of the Global Project has been the creation of the [www.wikiprogress.org](http://www.wikiprogress.org) web portal which provides a platform for exchanging information and analysis on well-being across the Global Project Network.

The project is now moving to a new phase, shifting its focus from raising awareness and networking towards producing a new generation of concrete measures of well-being. In particular, the research team working for the Global Project is developing a number of indicators on people's quality-of-life with the goal of informing policies for improving well-being and quality-of-life. The statistical work aims at taking stock of the most innovative experiences in individual countries but also at developing new statistical standards in areas

where these are lacking. This work is carried out in cooperation with two other horizontal OECD projects focusing on economic and environmental sustainability: the Green Growth Strategy and the OECD Innovation Strategy.

In terms of the governance of the Global Project Network, OECD is now moving towards a more streamlined operational structure in order to increase the effective participation of partners and strengthen the co-operation between key players. A number of initiatives promoting the statistical and political agenda on well-being are in preparation, such as the 4<sup>th</sup> World Forum in India and other regional events in Latin America, Asia and Africa in 2011 and 2012.

## **United Nations' efforts in measuring well-being**

The United Nations (UN) have undertaken various initiatives to measure and evaluate the economic value of ecosystems, societal progress based on human development as well as sustainable development. In this subsection three key initiatives will be outlined shortly: the UNEP hosted initiative on The Economics of Ecosystems and Biodiversity (TEEB); the United Nations Development Program initiative on replacing the GDP indicator with a more comprehensive indicator on human development such as the Human Development Index (HDI); and the involvement of UNECE in the Joint working group of OECD and Eurostat in measuring sustainable development.

### **UNEP's The Economics of Ecosystems and Biodiversity (TEEB): Valuation of environment**

The Economics of Ecosystems and Biodiversity (TEEB) is a major international initiative to draw attention to the global economic benefits of biodiversity, to highlight the growing costs of biodiversity loss and eco-system degradation, and to draw together expertise from the fields of science, economics and policy to enable practical actions moving forward. TEEB was launched in 2007 by Germany and the European Commission in response to a proposal by the G8+5 Environment Ministers<sup>16</sup> and is hosted by the United Nations Environment Programme to provide a comprehensive global assessment of economic aspects of these issues<sup>17</sup> ([TEEB Homepage](#)).

The background of such an international initiative is the recognition that human well-being relies critically on ecosystem services provided by nature. Examples include water and air quality regulation, nutrient cycling and decomposition, plant pollination and flood control, all of which are dependent on biodiversity. They are predominantly public goods with limited or no markets and do not command any price in the conventional economic system, so their loss is often not detected and continues unaddressed. This in turn not only impacts human well-being, but also seriously undermines the sustainability of the economic system. As TEEB has generated various reports for various stakeholders (e.g. business, policy makers), in this ESDN Case study we will concentrate only in the TEEB syntheses report. The aim of the TEEB synthesis study is to highlight and illustrate the approach adopted by TEEB: namely to show how economic concepts and tools can help equip society with the means to incorporate the values of nature into decision-making at all levels (TEEB 2010, 3).

#### **The approach of TEEB in measurement:**

According to the TEEB study, ecosystems and human well-being are strongly correlated, as maintaining the stocks of natural capital allow sustained provision of future flows of ecosystem services and thereby enduring human well-being (TEEB, 2010, 7). The concept

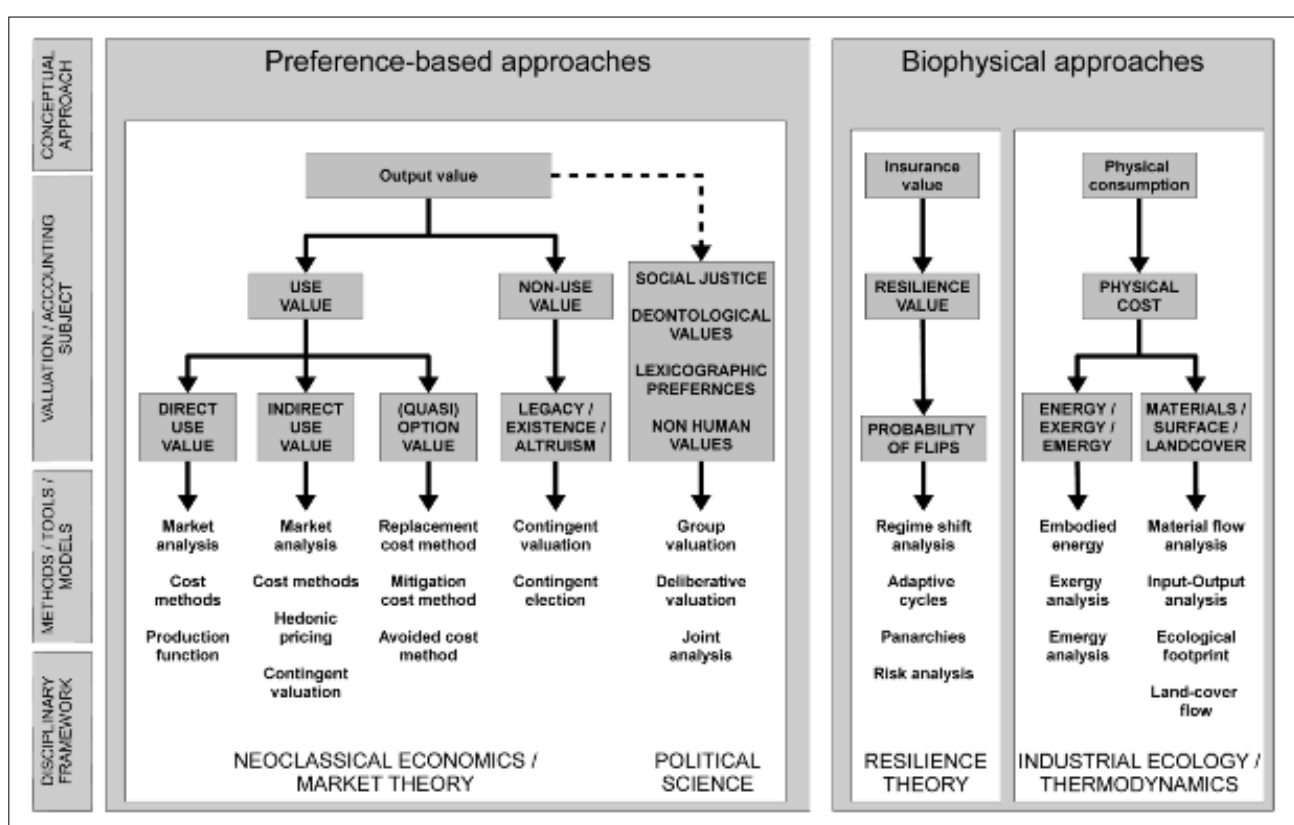
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<sup>16</sup> Phase I's Interim Report demonstrates the huge significance of ecosystems and biodiversity and the threats to human welfare if no action is taken to reverse current damage and losses

<sup>17</sup> TEEB Phase II has delivered a series of reports addressing the needs of major user groups: national and local decision makers, business and the wider public. In this report we will only concentrate on the synthesis of the approach, conclusions and recommendations. TEEB (2010) The Economics of Ecosystems and Biodiversity: Mainstreaming the Economics of Nature: A synthesis of the approach, conclusions and recommendations of TEEB.

used in the literature of how to link nature with the economy is used by the concept of “eco-system service”<sup>18</sup> or “flows of value” to human societies as a result of the state and quantity of natural capital. The theoretical approach or modelling on how to value nature comprises foundations from *preference base theoretical approaches* (neoclassical economics (market theory) and political sciences) to *biophysical approaches* (resilience theory, industrial ecology and thermodynamics)<sup>19</sup> (see Graph 2 below).

According to the TEEB study, the valuation of biodiversity and ecosystem services for every kind of decision-making follows a tiered-approach in analyzing and structuring valuation; recognizing, demonstrating and capturing the value of nature. In the valuation of the ecosystem services, the report distinguishes between the services that are consumptive or have a *use value* and can be priced in markets - *direct use values* of “provisioning ecosystems services” ( e.g crops, livestock, fish, water) and the one that have a *non-consumptive value* and are rarely valued in money, which may include the cultural importance of a landscape or species (see Graph 2, left).



**Graph 2: Approaches for the estimation of nature's value (TEEB, 2010)**

The three-tiered approach consists of following steps:

<sup>18</sup> There are four various forms of eco-system services: (1) Provisioning services – for example wild foods, crops, fresh water and plant-derived medicines; (2) Regulating services (filtration of pollutants by wetlands, climate regulation through carbon storage and water cycling, pollination and protection from disasters; (3) Cultural services (recreation, spiritual and aesthetic values, education; (4) Supporting services (soil formation, photosynthesis and nutrient cycling).

<sup>19</sup> For more information see TEEB Ecological and Economics foundation, Chapter 5



- (1) *Recognizing value in ecosystems*, landscapes and other areas, might be grounded in spiritual or cultural values. If the recognition of the value of biodiversity is high, protective legislation can be an appropriate response and no need of monetary valuation may be necessary.
- (2) *Demonstrating value in economic terms* implies the calculation of costs and benefits of conserving the ecosystem services. TEEB has reviewed a variety of economic valuation methods, and concluded that most valuation studies do not assess the full range of ecosystem services, but concentrate only in a few. The demonstration of the economic value of ecosystem services has various advantages for the decision maker<sup>20</sup>.
- (3) *Capturing the value of ecosystem services*, involves the introduction of mechanisms that incorporate the values of ecosystems into decision making through market mechanisms such as incentives and price signals.

TEEB draws various recommendations for policy-makers and stakeholders, including inter-governmental and other international bodies. One of the recommendations is also oriented to measurement issues. The report recognizes the economic assets of natural resources, despite the fact there is still no market place for them. Therefore, it criticizes conventional measures of national economic performance of contributing to the invisibility of nature and calls for *integrating value changes in natural capital stocks and ecosystem services in present national accounts and of drawing up consistent physical accounts for these services and forest stock*. Such shift is recommended in the TEEB report to be supported through amendments to the UN Manual on Integrated Environmental and Economic Accounting (TEEB, 2010, 26).

### UNEP's Human Development Index (HDI)

In 1990, UNDP has published its first Human Development Report with its then newly devised Human Development Index (HDI). The idea of HDI was simple: *national development should be measured not simply by national income, but also by life expectancy and literacy*. The goal of the Human Development Reports is to put people at the center of development, going beyond income, and to assess people's long-term well-being. The reports follow a human development approach<sup>21</sup>. The UNDP Human Development Report 2010, published in November 2010, recognizes once more the relevance of this approach: human development matters across years, ideologies, cultures and classes (UNDP, 2010, 36).

The HDI is considered as an indicator replacing GDP (Schepelmann et al., 2010), for demonstrating the real progress of society. The HDI is a composite index measuring the average achievements of country in their basic dimensions: (i) health; (ii) education; and (ii)

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<sup>20</sup> Firstly, it highlights the costs of achieving environmental targets; Secondly, it helps identify more efficient means of delivering ecosystem services. Consequently, the policy-maker can address the trade offs of the decisions which tend to favor private wealth and physical capital over public wealth and natural capital.

<sup>21</sup> According to this approach, human development is the expansion of people's freedoms to live long, healthy and creative lives; to advance other goals they have reason to value; and to engage actively in shaping development equitably and sustainably on a shared planet. People are both the beneficiaries and the drivers of human development, as individuals and in groups (UNDP, 2010, 16).

standard of living (measured since 2010 not any longer through the GDP, but through the Gross national income per capita<sup>22</sup>).

There have been also some changes in the new report concerning the substitutability across the three dimensions (health, education and standard of living). Changes within one dimension were not reflected before in HDI. Now, the aggregation of the three dimensions reflects also the poor performance in any dimension. This new method captures how well rounded a country's performance is across the three dimensions.

### **HDI and GDP: Strengths and Limitations**

The HDI's strengths—particularly its transparency, simplicity and popular resonance around the world—have kept it at the “forefront of the growing array of alternatives to gross domestic product (GDP) in measuring well-being” (UNDP, 2010, 28). As the *New York Times* recently wrote, “so far only one measure has succeeded in challenging the hegemony of growth-centric thinking. This is known as the HDI, which turns 20 this year” (UNDP 2010, 14). Also its ranking mechanism is a tool which is easily understood by the public. Moreover, the indicator has raised awareness for the concept of “human development” beside economic progress (Schepelmann et al. 2010).

The HDI methodology since 2010 does not include any longer the GDP as an indicator for standard of living, but the Gross National Income per capita. The latter one reflects better in a globalized world the income generated from residents inside and outside the country and not only its domestic output<sup>23</sup>. The strength of the HDI methodology is, therefore, the consideration of these economic dimensions, which are not always sufficiently reflected in alternative indices attempting to replace GDP (UNDP, 2010). Moreover, inequalities and disparities within and across countries as well as unsustainable production and consumption patterns have been addressed through the development or improvement of the HDI through the following indicators: the inequality adjusted Human Development Index (IHDI)<sup>24</sup>, the Gender Inequality Index (GII)<sup>25</sup>, and the Multidimensional Poverty Index (MPI)<sup>26</sup>. These state-of-the-art measures incorporate recent advances in theory and measurement and support the centrality of inequality and poverty in the human development framework (UNDP, 2010). Also subjective measures and happiness are recognized in the human development approach as important (UNDP, 2010). Happiness should not be a sole measure, but complementing other measures of well-being. However, HDI does not well cover ecological

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<sup>22</sup> In a globalized world differences are often large between the income of a country's residents and its domestic production. Some of the income residents earn is sent abroad, some residents receive international remittances and some countries receive sizeable aid flows. For example, because of large remittances from abroad, GNI in the Philippines greatly exceeds GDP, and because of international aid, Timor-Leste's GNI is many times domestic output (UNDP, 2010, 29).

<sup>23</sup> For example, because of large remittances from abroad, GNI in the Philippines greatly exceeds GDP, and because of international aid, Timor-Leste's GNI is many times domestic output

<sup>24</sup> IHDI is a measure of the average level of human development of people in a society once inequality is taken into account. It captures the HDI of the average person in society, which is less than the aggregate HDI when there is inequality in the distribution of health, education and income. Under perfect equality, the HDI and IHDI are equal; the greater the difference between the two, the greater the inequality (UNDP, 2010, 40).

<sup>25</sup> GII is a measure that captures the loss in achievements due to gender disparities in the dimensions of reproductive health, empowerment and labor force participation. Values range from 0 (perfect equality) to 1 (total inequality) (UNDP, 2010, 40).

<sup>26</sup> MPI is a measure of serious deprivations in the dimensions of health, education and living standards that combines the number of deprived and the intensity of their deprivation (UNDP, 2010, 40).

aspects of sustainability<sup>27</sup> and is being criticized of not considering other aspects of human development (e.g. neglecting political and civil issues) (Schepelmann et al. 2010).

In the future, HDI might be best suited for application in EU cooperation and trade policy. Therefore, the European Parliament study suggests that EU and UNEP could also work together to further develop the indices and address its shortcomings. Due to its lack of complexity (e.g. regarding environmental aspects), the HDI cannot replace sustainable development measurements (European Parliament, Policy Department Economic and scientific Policy, 2007).

### Joint UNECE, OECD and EUROSTAT Working Group on Statistics for Sustainable Development (WGSSD)

The Joint **UNECE/Eurostat/OECD Working Group on Statistics for Sustainable Development (WGSSD)** was commissioned by the Bureau of the Conference of European Statisticians in 2005 to develop a broad conceptual framework for *measuring sustainable development with the concept of capital at its centre and to identify a small set of indicators that could serve for international comparisons and which has a policy relevance*. The outcome of this work is presented in the publication on [Measuring Sustainable Development](#), issued in 2009. The work identifies good concepts and practices to assist national governments and international organizations in the design of sustainable development indicator sets. It also provides a set of 10 indicators for sustainable development which are internationally comparable, use the capital approach, and have policy relevance across the EU countries ([UNECE Homepage](#)).

According to the report, sustainable development is understood as “increasing well-being over a very long time” (UNECE, 2009, 12). As already the Stiglitz Commission report has argued, measuring sustainable development should be clearly separated from the issues of measuring current well-being in monetary and non-monetary terms. The WGSSD does not make any difference between well-being and welfare, as it regards the differences among these concepts only crucial for the academic debate. It assumes that the concept of well-being (with its multi-dimensional definition) has much potential for measuring sustainable development if it is broadened beyond the traditional scope in economics (UNECE, 2009, 3).

### **Capital approach for sustainable development indicators**

From a capital perspective in the UNECE report, sustainable development can be defined as non-declining *per capita* wealth over time (United Nations et al., 2003). It refers to the need to maintain wealth as the basis of sustainable development. The capital approach measures wealth of a society, based not only on financial capital, but on the society’s total capital, including five individual stocks:

- *financial capital* like stocks, bonds and currency deposits; produced capital like machinery, buildings, telecommunications and other types of infrastructure;
- *natural capital* in the form of natural resources, land and ecosystems providing services like waste absorption;

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<sup>27</sup> About a fourth of countries have a high HDI but low sustainability.

- *human capital* in the form of an educated and healthy workforce; and
- *social capital* in the form of functioning social networks and institutions.

The challenge of sustainable development is simplified in the report into a question of whether a country's total capital base – or total national wealth – is managed in a way that secures its maintenance over time. Based on the limitations of the current approach (see Box 1), a practical implementation of the capital framework cannot rest only on monetary indicators alone, but should also separate indicators of *critical capital stocks* measured in *physical units*.

**Box 1: Limitations on the theoretical capital approach**

Firstly, it is difficult to uniquely determine all of the ways in which capital contributes to well-being. Those that cannot be identified obviously cannot be valued. Secondly, even for those contributions which can be identified, it is sometimes difficult to monetize their value. A third limitation on valuation is the degree of substitutability among capital types. According to the WGSSD report, the various components of national wealth cannot always and without difficulty be replaced with one another. Capital services for which no substitute can be found are said to flow from critical capital stocks. To the extent that some capital stocks are indeed critical, the possibility of using a single monetary aggregate to measure sustainable development disappears. It would be wrong to aggregate values for non-critical capital with those for critical capital into a single measure. In doing so, essential information for sustainable development would be lost (UNECE, 2010).

As mostly all sustainable development indicator (SDI) sets in Europe are a product of policy negotiations, the WGSSD proposed only a small set of SDI (10 indicators) that is consistent with the capital approach, relevant from the policy perspective and suitable for comparing sustainable development performance among countries. When comparing the policy-based approach of SDIs across countries and the theoretical capital approach for SDIs, the study noted that (a) only a few common policy-based SDIs cannot be reconciled with the capital approach (GDP per capita is one of the few indicators used in the policy approach and cannot be selected in the SD set from the capital perspective), and (b) only a few monetary indicators are commonly found in policy-based set<sup>28</sup>.

The proposed set of indicators should not be understood only as theoretically robust, but it shows also political relevance. This explains why some indicators which are highly relevant to the capital approach are not included in the small set of indicators.<sup>29</sup>

<sup>28</sup> There is no effort in policy-based set to measure sustainable development with highly aggregated indicators as economic wealth.

<sup>29</sup> For example economic welfare is not currently measured in the policy based set and through highly relevant from a capital based approach not included in the proposed set.

## Conclusion

The various initiatives at the international level described above demonstrate the diverse efforts of international organizations in going beyond the GDP indicator and measuring societal progress not only in terms of economic growth. The engagement of the various international organizations has been political as well as technical.

The majority of the initiatives mentioned in this ESDN Case Study still consider GDP as a useful indicator for measuring economic growth; however, they also see its limitations in measuring general societal well-being and progress. They recommend, therefore, supplementing GDP with environmental, social and sustainability information in order to attain a diversified picture regarding societal progress and well-being. The only indicator which has managed so far to replace GDP and to find also political acceptance has been UNDP's Human Development Index (HDI) that offers a more comprehensive measure for human development by considering the economic dimension in it. A study of the European Parliament has emphasized that supplementing GDP, and not completely replacing it, is the more "realistic and acceptable option for going beyond GDP in the EU" (European Parliament Policy Department Economic and scientific Policy, 2007, 61).

When well-being and societal progress should be measured, the international initiatives attempt to supplement GDP with information at two levels: environmental and societal. The majority of the initiatives recommend at the environmental level two groups of instruments: (1) integration of environmental information on national accounts either through physical flow accounts (air emission, material consumption) or stock of natural capital accounts (fisheries, forests) or through monetary accounts on environmental protection systems (TEEB, 2010), or (2) provision of environmental information in relation to GDP through indicators (such as the Environmental Performance Index which will be developed soon at the EU level). The UNDP human development approach with its comprehensive HDI is the only case covered in this ESDN Case Study where ecological aspects are not included in the measurement of human development. The second level of supplementing GDP is at the societal level with indicators on well-being and quality of life.

The initiatives show following methodological similarities in their approaches and understanding of well-being:

- Well-being is as a multidimensional concept which should include not only the standard of living (based on national income measures), but also other aspects, such as health, education, social relatedness, etc.. The differences are in the framework of these initiatives: some initiatives put the ecosystems at the heart of human well-being (UNEP TEEB), others rely more on the human development approach and less on ecosystems (UNDP HDI). The other initiatives (Stiglitz Commission, OECD Global Project, European Commission "GDP and beyond") lie somewhere in between these two perspectives.
- For measuring well-being, objective conditions and subjective experiences are considered as important approaches in the measurement. Objective conditions are considered as domains of life which influence the subjective experiences of quality-of-life to a certain extent (health, education, security, etc.). Integration of subjective

measures is regarded as crucial when measuring well-being and not only societal progress<sup>30</sup>.

- As well-being is multi-dimensional, the initiatives have proposed not to offer a composite indicator but an indicator set as there are issues, such as subjective experiences of individuals, which cannot be aggregated in one number. However, for communication reasons, composite indicators (such as HDI and the recently developed quality-of-life indicator SALY – Satisfaction Adjusted Life-Expectancy indicator<sup>31</sup>) are validated as useful for raising political and societal awareness on progress and well-being.
- All initiatives integrate distributional and equality indicators development for measuring disparities among, nations, regions, societal groups or gender.

Sustainable development has been regarded as a concept which needs complementary indicators to well-being indicators as it includes inter-and intra-generational aspects (i.e. temporal questions). The Stiglitz Commission criticized the majority of proposals which have been made so far for measuring sustainability in quantitative terms only, as they did not strictly separate current well-being measurement from future measurement. The temporal aspects of sustainability are not included in well-being measurement. Due to various methodological problems, the Stiglitz Commission focuses its recommendations more on economic and environmental sustainability indicators. Initiatives such as UNECE, Stiglitz Commission, European Commission “GDP and beyond”, and OECD Global Project have explicitly recommended the further development of sustainable development indicators based on the “wealth or stock based approach”. Useful for its communication would be dashboards on SD which should be interpretable of variations of some underlying “stocks”.

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<sup>30</sup> For more information on distinguishing the objective conditions and subjective measures of well-being, please see the Workshop Discussion & Background Paper of the 6<sup>th</sup> ESDN Workshop.

<sup>31</sup> For more Information on this indicator, please see Eurostat feasibility study on well-being indicators.

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# **National approaches to measure wealth and well-being in the context of sustainable development**

## ***ESDN Case Study No. 4***

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## **Introduction**

The debate on the Gross Domestic Product (GDP) has been ongoing since some time: academic circles have questioned the appropriateness of GDP in measuring societal progress beyond economic growth already in the 1980s and 1990s. This concern has lately stepped from academic circles into the spot light of policy-making and public debates and seems to gain momentum through various initiatives at the national and international level. Many countries have been very active of further developing and expanding their sustainable development indicators (SDIs) with well-being indicators. Against this background, this ESDN Case Study aims to take stock of the various national activities on the measurement of societal progress which raise awareness on critical issues of the GDP indicator as a measure of well-being and societal progress.

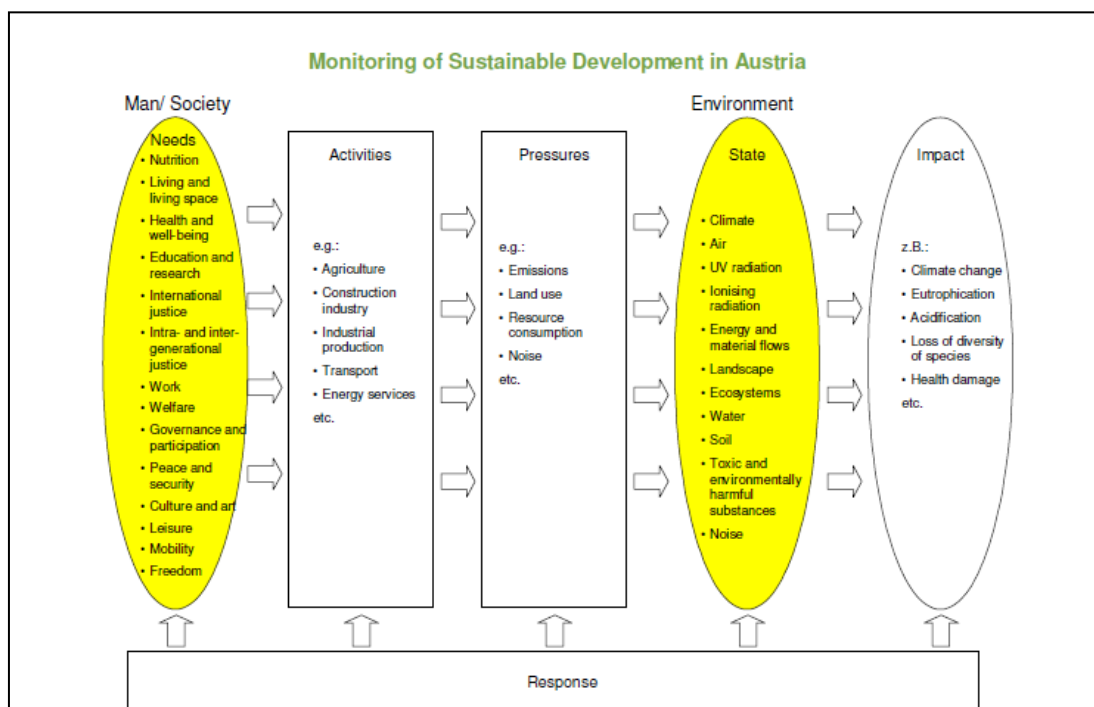
This following case study is divided in six chapters. The first five chapters outline the initiatives undertaken in five European countries, namely Austria, Belgium, Germany, Finland and France. The focus will be less on methodological and measurement approach towards well-being indicators, but more emphasis of on exploring. In the last concluding chapter, general issues as well as similarities and difference among the national initiative are described.

The ESDN Case Study No. 4 is drafted as a preparatory document for the 6<sup>th</sup> ESDN Workshop in Berlin on 2-3 December 2010. It serves as a first stocktaking of several national initiatives that aim to go 'beyond GDP'. The initiatives will be presented at the ESDN Workshop and discussed with the workshop participants.

## Austria: Measuring welfare and well-being with SD indicators

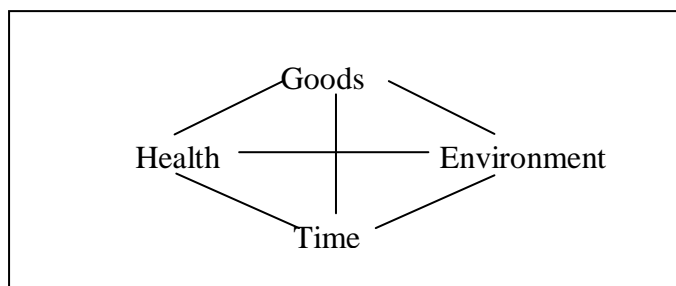
The first attempt of measuring wealth in Austria was undertaken in 2003 through the delivery of a study on monitoring the national sustainable development strategy (NSDS) in Austria. In this context, the first indicator set for monitoring the NSDS has been developed. Since 2006, a systemic approach based on the 2-sphere-model for monitoring sustainable development was recommended (see below). In the first phase, the themes were selected and then, through a participatory process, various SD indicators were selected per SD themes. The results of this process were 26 Headline-Indicators (please find the complete list [here](#)) and 56 differentiated indicators as well as the development of the 2-sphere model, presented in the report “Monitoring Sustainable Development in Austria” (Ministry of Environment, 2006). In 2007 and 2009, the indicator set was used for monitoring sustainable development in Austria.

Welfare, health and well-being are explicitly specified as domains in the 2-sphere model in the area “Man/Society” for measuring SD (see Graph 1 below). As mentioned above, the model was identified as a base model for monitoring SD and adapted to the requirements of Austria. It divides the monitoring area into two spheres: the Man/Society sphere and the Environment sphere: “(...) the 2-sphere model guarantees more systematic and comprehensive socioeconomic relevance [compared to the] trichotomy of the economic, social and ecological” (Ministry of Environment, 2006, 9). The target of merging economic and social aspects in the Man/Society sphere was to develop an integrated view of the socioeconomic system in order to point out the relations between economic and social phenomena and their impact on the environment. This model serves the purpose of “stocktaking of trends in all the theme areas of both spheres and recording correlations of effects in the Man/Society –Environment system” (Ministry of Environment, 2006, 12).



**Graph 1: A two-sphere model for monitoring sustainable development in Austria (Ministry of Environment, 2006)**

In this model, welfare is not only understood as conventional economic welfare, but also linked to other non-monetary aspects of human development (health, environment and time) ([click here](#)). Graphically, the welfare determining variables could be outlined as below.



**Graph 2: Welfare determining variables (own analysis)**

According to the indicators list in the monitoring report of 2006, welfare is measured through: (1) GDP per capita; (2) “Equivalised Household Income”; (3) “At-persistent-risk-of-poverty rate”; and (4) “Wealth in time”<sup>1</sup> (Ministry of Environment, 2006, 43-44). Welfare does not stand isolated in this systemic approach, but demonstrates relevance and inter-connectedness with other indicators. Income distribution (“inequality in income distribution” and “gender specific income disparity”) was recognized to be a relevant theme for welfare. Natural capital is measured with indicators such as “energy consumption to GDP” and “material usage”. Other indicators of the Man-Society sphere relate to education and research, such as “youth education attainment 20-24” and “public expenditure on education R&D as % of GDP” are also linked to measurement of welfare (Ministry of Environment, 2006, 35-36).

According to the monitoring report, the challenges in developing a comprehensive indicator system are not only to define objectives for certain individual themes (“Wealth in time” in the theme area of “Welfare”) but also to address the relevant aspects in the formulation of objectives. The varying degrees to which the theme areas are covered by objectives affect the search of indicators. As pointed out in the monitoring report, a lack of indicators for many objectives of SD is observed in Austria. The process of improving the indicators is an “open-ended” one and requires a living social dialogue for continually addressing new themes in a participatory process (Ministry of Environment, 2006, 82).

The selection of indicators is not only based on “scientific-technically based measurement values” but also subjective data (self-reported experiences especially on themes such as time and leisure) (Ministry of Environment, 2006, 82). The distribution of objective and subjective data is, however, unequal in the themes, and efforts are undertaken to include more subjective measures in specific areas that can be measured only through “surveys whose contents are based on judgments of the appearance of people” (Ministry of Environment, 2006, 82).

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<sup>1</sup> Wealth in time is a concept that is hard to grasp and that can only be rated subjectively. The data for the indicator might conceivably be based on analyses of questions connected with a survey on time expenditure or leisure activities. For example, it might be asked “Are you often under stress? Would you like to have more time for ...?”

The Ministry of the Environment in Austria has also conducted various projects to further develop and improve subjective indicators. The most recent one has been conducted in 2010 and analyzed the applicability of SDI in measuring not only sustainable development but also well-being in Austria. The SDIs proved to be useful for this and were further updated and complemented in the following fields: quality-of-life, satisfaction with living standards, satisfaction with work, criminality, subjective state of health, noise, work and family balance. A crucial contribution of this study is the analysis of the impact of the indicator “wealth in time” for well-being (Ministry of Environment, 2010). The latter analysis is one of the first attempts in Europe of measuring impact of time in well-being (e.g. impact of time pressure, stress, work-life balance).

## **Belgium: Measurement activities at the national and sub-national level**

Belgium<sup>2</sup> has been very active in developing and using indicators for sustainable development. Following strong regional competences, also the Flemish, Walloon and Brussels regions are undertaking various activities at the Federal level.

On the federal level, the initiatives in development indicators for societal progress and well-being have been undertaken in various working groups from the Task Force Sustainable Development of the Federal Planning Bureau (FPB) and the Belgian Federal science policy office. The Task Force SD of the FPB has the main task to develop models and indicators to monitor SD in Belgium; societal progress is one of the strategic objectives. Therefore, it has also contributed to measuring the progress of society in the context of SD with its **fifth federal report on SD published in October 2009**. This report is published on a biannual basis and presents a table of 88 sustainable development indicators (SDI) illustrating to what extent living conditions in Belgium are heading towards strategic objectives of sustainable development (SOSD). The report also examines the choice of strategic objectives in the context of long-term visions on the evolution of society, the environment, the economy and government policies. In addition, by showing the diversity within and the interactions between the SDIs, the report intends to promote policy instruments which can accelerate achieving the SOSDs (please also see the [website of FPB](#)).

Based on these indicators, the report recognises the complexity of sustainable development and the difficult task to reduce it to one single indicator. Therefore, the fifth federal report recommends introducing synthetic indicators, additionally to the 88 indicators, following composite and aggregated indicators:

- Indicators based on satellite account systems: Environmental satellite accounts (ESA) should complement the conventional statistical accounts with environmental and information (FPB, 2009, 44-46). ESA can reflect the coupling or decoupling between GDP growth and environmental degradation;
- The Human Development Index considers the economic dimension (lately not GDP but Gross national income) and is used as a better measure of social progress, than the GDP;
- Ecological footprint (EF) and bio-capacity (BC) indicators should provide information on environmental flows and stocks, which GDP lacks completely. One of the strengths of the EF and BC is that several environmental issues are expressed in a single common unit, the global hectare (gha). The EF and BC do not, however, encompass all environmental issues and they cannot be interconnected with GDP.
- Indicators related to government spending on SD; Indicators on the implementation of SD plans.

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<sup>2</sup> The information provided in this section is mainly based on the background information that was provided to us in November 2010 by Yanne Gossens, Policy Advisor International Environmental Policies, Flemish Government, Environment, Nature and Energy Department (International Environmental Policy Division).

None of these indicators, however, reflect a complete knowledge of human, natural and economic systems but they can contribute to measuring and debating social and environmental goals beyond economic growth in order to achieve sustainable change in society. The 5<sup>th</sup> federal report on SD argues that both synthetic indicators and a structured table of detailed indicators can be combined to measure better societal progress. Other efforts of the Task Force SD have been in studying the interactions between the environment and lifestyles<sup>3</sup>.

Furthermore, the Belgian Federal Science Policy Office is looking into theoretically sound and democratically legitimate **indicators of well-being in Belgium (WellBeBe)** within its Science for a Sustainable Development Programme (SSD). The aim is to construct an alternative indicator to GDP, based on a dynamical conception of well-being, which considers the individual in his whole life-cycle and which includes the notion of the social structure through the concept of “life chances”. Within this project, the team identifies SD as concept that guarantees that a minimum level of mutable characteristics (educations, health) of the individuals can be reached by every individual, whatever his/her immutable characteristics are (gender, place of birth, etc. ) The work of this team is valued by Eurostat as being very relevant for further well-being research at the European level (Eurostat, 2010, 3).

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<sup>3</sup> In 2010 it has published two working papers on these issues, The first one focuses on the pressure of human activities on the environment, by analyzing the ecological footprint and bio-capacity in their potential within SD policy making (Zuhinen, 2010). The [second paper](#) focuses on the social-economic characteristics and the environmental pressures caused by household consumption.



## Finland: Findicators and project on “new dimensions for the measurement of well-being”

Finland has actively participated in international cooperation aiming at the development of well-being indicators, for example, from the viewpoint of sustainable development. Moreover, the Prime Minister Office has also engaged in various projects for complementing GDP with other environmental and social indicators. These initiatives will be outlined shortly in this sub-section.

Finland has been very active in further developing SD indicators as a core element of their national SD strategy (NSDS). Through such indicators, the revised NSDS of 2006, [“Towards sustainable choices: A nationally and globally sustainable Finland”](#), has been continuously enhanced and the contents of target areas have become more concrete (Gjoksi, 2010). In context of the NSDS, 34 key indicators were approved in 2006, to assess whether the NSDS objectives could be achieved. Based on the latest NSDS assessment, finished in 2009, the indicator work for SD in Finland has received the best score (Gjoksi, 2010). The next revision of the target areas and the content of the NSDS are planned for the year 2011. The vision of the strategy is to “ensure well-being within the limits of the carrying capacity of nature globally and nationally” (see [leaflet](#)). In this vision, SD indicators are less facilitators for operative decision-making, but more measures that describe the state of sustainable development at the macro-level and by target area (Ministry of Environment,, 2009).

The model used for various indicators, ENVIMAT (environmental impacts of material flows caused by the Finnish economy), reflects the relationship between economic and environmental impacts. The objective of the [ENVIMAT project](#) (2006-2008) has been to create a tool with which the relationships between environmental impacts and economic effects, due to the use of natural resources in Finland, can be assessed. This project has concentrated on environmental impacts, even though the ENVIMAT model also enables the assessment of effects on added-value and employment in various sectors, and the products and services produced therein (Finish Ministry of the Environment, 2009: 8). This model primarily facilitates environmental policy planning. The Finnish National Commission on SD and the national inter-ministerial network on indicators are also further working on the development and enhancement of current indicators for the new strategy concept. While the ENVIMAT project provides useful information on environmental and economic impacts, the used SD indicators are least suitable for describing the social aspects of sustainable development. The indicators used are based on objective conditions and subjective experiences (e.g. indicator on service satisfaction of citizens). Well-being is then also linked to both crucial indicators of human development as household expenditure on services, life expectancy at birth, poverty, air quality and so on.

Not only the recent SDS assessment results confirm the need of indicators for a better reflection on social progress and well-being, but also the Prime Minister Office has initiated projects on complementing GDP with other indicators.

The first project, entitled **Findicator**, concentrates on providing up-to-date data on 100 indicators for social progress. In October 2009, the Prime Minister’s Office and Statistics Finland opened a web-based [Findicator](#) website that provided up-to-date statistics on

various sectors of society. The purpose of Findicator is to provide answers for the worldwide discussion on the need to establish well-being indicators which are more comprehensive than GDP. The Findicators are grouped thematically and by policy issue and are related to the government program. Each indicator provides up-to date information via tables and graphs. The list of indicators is mostly based on objective conditions and includes less subjective indicators.

The most recent project, ["New dimensions for the measurement of well-being"](#), examines the possibilities for formulating more comprehensive well-being metrics which will include not only economic key figures but, to a greater extent, indicators reflecting people's personal well-being and the state of the environment. In addition to new indicators, the project aims to put forward proposals for ways to genuinely integrate more comprehensive perspectives on well-being into public discussion and political decision-making. The term of the project will be from 1 October 2010 to 31 May 2011. The policy analysis unit at the Prime Minister's Office will be responsible for the project.

## France: Follow-up activities on the recommendations of the Stiglitz Commission

The Stiglitz Commission report provided 12 recommendations on how to measure the economic performance in a complex economy by better reflecting the structural changes characterizing the evolution of the economies (Stiglitz et al., 2009). The recommendations were bundled around three topics:

### **Critical issues of GDP**

**Recommendation 1:** When evaluating material well-being, look at income and consumption rather than production

**Recommendation 2:** Emphasise the household perspective

**Recommendation 3:** Consider income and consumption jointly with wealth

**Recommendation 4:** Give more prominence to the distribution of income, consumption wealth

**Recommendation 5:** Broaden income measures to non-market activities

### **Quality-of-life**

**Recommendation 6:** Quality of life depends on people's objective conditions and capabilities. Steps should be taken to improve measures of people's health, education, personal activities and environmental conditions. In particular, substantial effort should be devoted to developing and implementing robust, reliable measures of social connections, political voice, and insecurity that can be shown to predict life satisfaction.

**Recommendation 7:** Quality-of-life indicators in all the dimensions covered should assess inequalities in a comprehensive way

**Recommendation 8:** Surveys should be designed to assess the links between various quality of- Life domains for each person, and this information should be used when designing policies in various fields

**Recommendation 9:** Statistical offices should provide the information needed to aggregate across quality-of-life dimensions, allowing the construction of different indexes.

**Recommendation 10:** Measures of both objective and subjective well-being provide key information about people's quality of life. Statistical offices should incorporate questions to capture people's life evaluations, hedonic experiences and priorities in their own survey.

### **Sustainable development and environment**

**Recommendation 11:** Sustainability assessment requires a well-identified dashboard of indicators. The distinctive feature of the components of this dashboard should be that they are interpretable as variations of some underlying "stocks". A monetary index of sustainability has its place in such a dashboard but, under the current state of the art, it should remain essentially focused on economic aspects of sustainability.

**Recommendation 12:** The environmental aspects of sustainability deserve a separate follow up based on a well-chosen set of physical indicators. In particular there is a need for a clear indicator of our proximity to dangerous levels of environmental damage (such as associated with climate change or the depletion of fishing stocks.)

At the national level, the French President, Nicolas Sarkozy, has already called for an immediate **implementation of the recommendations of the Stiglitz Commission**. One year after the publication of the report, the French National Statistical Institute (INSEE) and the French General Commission on SD have developed specific efforts in implementing the

recommendations based on critical issues of GDP, quality-of-life and especially on the third part of the Stiglitz Commission report: measuring sustainable development and environment.

The first parts of the report's recommendations concern the emphasis of household perspective in the material living standards. INSEE has already integrated the inequalities of household income and consumption in national accounts by taking into consideration the social transfers of governments to households. Based on the integration of the household consumption in the national accounts, the CO<sub>2</sub> emissions resulting from the consumption could be better captured. The next steps based on the first five recommendations will be to further develop the household procurement per category as well the decomposition of wealth in households along five categories (Commissariat Général au Développement Durable, 2010).

Concerning the measurement of the subjective and objective condition for well-being, publications on the social perception of the environment, on the environmental risk perception, and on the objective conditions of population and buildings exposed to natural and environmental risks are already published. In the future, not only further subjective experiences but also the objective conditions of quality-of-life will be better measured.

Indeed, France has also further developed 15 key-indicators for SD, which are also associated with the new national sustainable development strategy (NSDS), "Towards a fair and green economy" for the time-period 2009-2013" (Gjoksi et al. 2010). These environmental SDIs use the "capital or stock approach" described in the Stiglitz Commission report, where changes in capital stocks determine the well-being and inform on increasing or decreasing levels of these stocks, which also provide information if the increase of the well-being today depletes the necessary stock for maintaining the level of well-being for future generations. Various indicators of the NSDS can be interpreted as variations of stocks (Recommendation 11); the material consumption per habitant, the carbon footprint of the final consumption, the evolution of the population of bird communities, etc. (Commissariat Général au Développement durable, 2010).

Besides the measurement of the economic part of sustainability which refers to whether countries are over consuming their economic wealth or not, the Stiglitz Commission recommended the development of environmental sustainability indicators. These should not be measured in monetary terms but in physical units (Recommendation 12). An attempt towards this direction in France has been the development of following indicators: (1) the carbon foot print for the final demand, (2) the collection of biodiversity footprint and ecological foot print (3) as well as material consumption data including imports. Additionally, indicators on material productivity (GDP/material consumption) might offer useful information on the trend of decoupling economic growth from environmental impact.

In 2010 and 2011, further steps are planned from INSEE and the General Commission for SD for measuring SD and welfare, including: (a) to develop the water footprint and the carbon footprint of final demand, (2) to better measure territorial indicators, and (3) to estimate the economic costs and benefits of biodiversity damage or protection.

## Germany: National Welfare Index

An intensive discussion is taking place in Germany about the adequacy of GDP as a parameter of social welfare. The most recent initiative in this context is the development of a new indicator intended to be a complementary source of information to GDP, entitled “**National Welfare Index**” (NWI) (Diefenbacher and Ziehschank 2008a). The research project, was conducted by the FEST-Protestant Institute for inter-disciplinary research and FFU (Research centre for Environmental Policy), financed with the support of the German Federal Environmental Agency.

Welfare is understood not only as the welfare created in markets, but also wealth through non-market activities, such as education, health, prevention of criminality costs etc., thus considering societal welfare as the whole. The research on the NWI indicator is more strongly connected to the ecological economics framework and less to the well-being discussions on happiness or life satisfaction. However, as NWI ascribes a big role to the indicators on the pursuit of NSDSs, its new impulse “could lead to a better measurement of social progress but also stronger emphasis of qualitative aspects” (Diefenbacher and Ziehschank, 2008a, 5). As SD is a very complex concept, the measurement of such a complex concept is even more difficult than the welfare measurement, as it includes not only the *intra*-generational aspects of welfare but also the *inter*-generational (temporal) aspects of welfare. The temporal aspects of SD – maintaining the same level of current wealth or welfare for future generations (temporal context) – are not included in the welfare measurement of today (NWI). However, the study on NWI does not strictly separate the two concepts (sustainable development and welfare) from one another, and recommends integrating the NWI in the national concept of sustainable development (Diefenabcher and Ziehschank 2008).

The NWI is composed of 21 variables, taking account for welfare services neglected up-to date by GDP, such as non market services (e.g. voluntary work and domestic work), on the one hand, and environmental damage and the cost of compensation for environmental damages, on the other hand. These partial variables (see Table 1 below), are conceptually based on the “Index for Sustainable Economic Welfare”<sup>4</sup> and on the approach of the “Genuine Progress Indicator”(GPI). These indicators adjust GDP by a series of monetized environmental and social factors<sup>5</sup>. The NWI would offer a monetized indicator to the GDP, by adjusting it with 9 ecological variables (variables 11-19), which include environmental aspects, six indicators of social factors and two economic ones (variables 20, 21).

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<sup>4</sup> ISEW = personal consumption + public non-defensive expenditures - private defensive expenditures + capital formation + services from domestic labor - costs of environmental degradation - depreciation of natural capital.

<sup>5</sup> For more information on the strengths and weaknesses of these two indicators, please see the study prepared form the EU Parliament` Policy Department, Economic and Scientific Policy (2007): Alternative Progress Indicators to GDP as a means towards sustainable development.

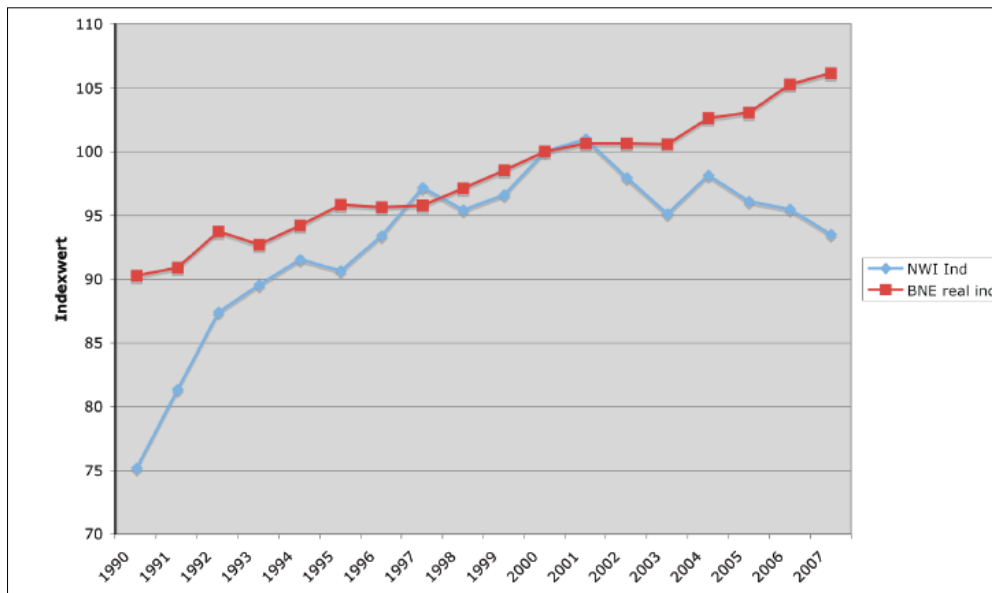
	Variables	Impact on the index	ISEW	GPI
1	Index of income distribution		X	X
2	Weighted consumer spending	+	X	X
3	Value of domestic work	+	X	X
4	Value of voluntary work	+		
5	Public spending on Health and Education	+	X	X
6	Consumer durables – cost / benefit	+ / --	X	X
7	Commuting between home and work	--	X	X
8	Cost of traffic accidents	--	X	X
9	Cost of crime	--		
10	Cost of alcohol-related diseases	--		
11	Social cost of compensation for environmental damages	--		X
12	Damages due to water pollution	--	X	X
13	Damages due to impacts on the soil	--		
14	Damages due to air pollution	--	X	X
15	Damages due to noise	--	X	X
16	Loss of wetland	--	X	X
17	Damages due to the loss of usable agricultural area	--	X	X
18	Substitution costs generated by the exploitation of non renewable resources	--	X	X
19	Damages due to CO <sub>2</sub> emissions	--		X
20	Net change in the value of invested capital (excluding buildings)	+ / --	X	X
21	Changes in the capital account	+ / --	X	X

**Table 1: Suggested variables for the National welfare Index (Diefenbacher and Zieschank 2008)**

This new indicator, as a complementary welfare measurement for a country to GDP, might play a big role for the political debate in Germany as it opens up an opportunity to look not only at economic growth but at the welfare of a country, including crucial sources of wealth based on non-market activities, such as the values of social networks, civil society participation, the reduction of environmental damages and usage of renewable. The societal and political debate around the NWI might also then contribute to a shift in paradigm of what “sustainable growth” is and that progress should not only be measured quantitatively, through market activities, but also qualitatively (Diefenbacher and Ziehschank, 2008).

The diverging trends of GDI<sup>6</sup> and NWI mean that although the economy can grow, welfare can diminish. The national welfare of a country is, therefore, not positively correlated to GDP. The NWI could provide a more differentiated picture of growth and progress than GDP, as it includes environmental and social dimensions, important to SD, by not replacing but complementing it (see Graph 3).

<sup>6</sup> GDI is equal to GDP minus the balance of primary incomes with the rest of the world.



**Graph 3: Gross Domestic Income and National Welfare Indicator in comparison (Diefenbacher & Zieschank, 2008)**

The divergence between the two indicators of graph 3 is explained due to structural differences in the construction of GDI and NWI, since the respective calculations have been made on the basis of following different assumptions (Diefenbacher & Zieschank, 2008):

- Firstly, the starting parameter of NWI is private consumption weighted with an index of income distribution.
- Secondly, NWI considers that goods and services preserving the economy and society are produced by, but do not contribute primarily to the welfare of the people.
- Thirdly, subtractions due to negative external effects are so significant that they clearly overcome all positive effects added to the index, for instance in the field of voluntary work.

The NWI for Germany is now being further developed against the background of an intense international discussion about the contents dimensions of a sustainable social development.

## **Conclusion**

All these national initiatives demonstrate that well-being measurement is developed in parallel to the SD indicators, which has already started several years ago. The engagement of the countries mentioned in this case study has been very active in defining indicators which best measure well-being and societal progress in the context of 'beyond GDP'.

The countries initiatives have recognized the weakness of the GDP for measuring overall societal progress, but also the impossibility and challenge to measure well-being or sustainable development with a single synthetic indicator. Therefore, they find it useful to use a broad indicator set on SD or well-being and use only some synthetic indicators alternatively to GDP for communication reasons. SD indicator sets and wellbeing indicator sets are developed separately in most of the countries. The welfare concept, deriving from economics, is being brought more in line with environmental and social progress by integrating indicators on income distribution, environmental pressure and private consumption. Regarding environmental issues, countries seem to increasingly use Ecological Footprint and the Carbon Footprint.

Austria and Belgium have supplemented their SD indicator set with other indicators and more subjective measures for measuring also well-being. A recent study in Austria has proved the appropriateness of SDIs in measuring not only welfare aspects but also well-being (Ministry of Environment, 2010). Belgium has recommended to add four synthetic indicators to their SDI set (environmental satellite accounts (ESA), Human Development Index, ecological footprint (EF) and bio-capacity (BC), Indicators related to government spending on SD). France has also developed recently an SDI set, including the recommendation of the Stiglitz Commission report and using "the capital based approach".

Finland is measuring environmental and economic aspects with its SDIs, but less so societal progress. Therefore, an indicator set, "Findicators", was developed in 2009. Moreover, various projects are planned for measuring well-being also based on self-reported experiences of individuals. France, by following the Stiglitz recommendations, bases its efforts on measuring well-being on subjective experiences of environmental risk or life-satisfaction

Innovative efforts in the light of welfare measurement or well-being have undertaken in Germany by developing the National Welfare Index (NWI), in Austria by establishing the indicator "wealth in time", and in Belgium by developing a framework for measuring well-being. The NWI should be distinguished from well-being indicators as it is more linked to the economic framework and less to subjective measurement on happiness and life-satisfaction. Welfare is expanded to not only capture economic wealth, but also to other domains, such as non-market activities, private consumption weighted with distributional effects and environmental pressures. The NWI is a monetised indicator which could be comparable to GDP. Its new impulse could lead to a better measurement of social progress but also to a stronger emphasis of qualitative aspects of the economy.



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# **Resource policies and the innovation dimension**

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## **Introduction**

At a time of growing demand, better conservation of natural resources requires new innovative ways to use natural resources more efficiently and to reduce the burden of environmental impact from economic growth on a global scale. Innovation has contributed to a sharp increase in prosperity and well-being in developed as well as emerging countries. At the same time, market innovations on their own have not managed to affect the transition towards less resource use and to decrease the environmental impact of economic growth. This is mainly due to wrong market incentives and political instruments. Therefore, environmental policies should attempt to create new opportunities and abolish market and institutional barriers to guide innovation towards sustainability.

This ESDN case study describes the innovation concepts related to resource efficiency, also defined as eco-innovation, and identifies system innovation as the biggest challenge in the reforms towards a resource efficient and greener economy. At the end of this case study, some recommendations related to innovation are provided and should serve as a basis for discussions at the ESDN Conference 2011<sup>1</sup>.

## **Background on eco-innovation and resource policies**

A demand for eco-innovation (or innovation towards sustainable development) has arisen because of the need to address today's pressing environmental challenges. The main challenge towards the transition to greener, cleaner and more equitable economic growth is to address the innovation issue not only from an economic, but also from a social and environmental dimension (Bleischwitz et al. 2009). Public strategies shaped towards reduction of resource use are currently focussing on concepts such as resource efficiency, dematerialization of economic growth by factor 5 or 10, absolute decoupling and eco-efficiency. Despite differences among these concepts, one common aim is to promote eco-innovation or environmental friendly innovations, which try to link economic and environmental developments. Mostly, the focus on eco-efficiency at the business sector is oriented towards technological improvements of production processes, in order to make them more resource and cost efficient. However, based on the literature, the potential of eco-innovation to drive eco-efficiency, and eventual sustainability in environmental or social terms, is questionable.

The change which is needed entails not only technological innovations, but also different types of systemic changes, such as industrial, societal or behavioural, regulatory market and framework conditions changes (Bleischwitz et al. 2009). A system change requires innovations which are being simultaneously implemented from different actors and at different levels, such as economy, policy and society. Therefore, innovation towards sustainable resource management requires innovation from a system perspective,

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<sup>1</sup> We would like to thank Inge Lardinois, from the Dutch Ministry of Housing, Spatial Planning and the Environment for valuable inputs to this study. Ms Lardinois will also hold a "flashlight" presentation about the topic of this case study in one of the parallel working groups at the ESDN Conference 2011.

integrating not only technological improvements and efficiency gains in an economic perspective, but also so called eco-efficiency or reduction of environmental burdens which contribute many positive aspects to quality of life (Del Rio et al. 2010).

### Definition of eco innovation

The general definition of innovation is neutral and concerns the content of change open in all directions (Rennings 2000). However, analysing innovation in the context of sustainable development adds the attribute of directing innovations towards reducing environmental burdens (ibid.). That means it becomes normative in its understanding.

Eco-innovation is defined in the “Sectoral Innovation Watch in Europe: Eco-innovation reports” as “the creation of a novel and competitively priced goods, processes, systems, services and procedures designed to satisfy human needs and provide a better quality of life for everyone with a whole life cycle minimal use of natural resources per unit of output and a minimal release of toxic substances” (Reid & Miedzinski 2008). Eco-innovation takes, therefore, a life-cycle approach and is understood as innovation that improves the environmental performance of production and consumption side (Kemp & Foxon 2007, OECD 2009a). When considering the impact of eco-innovation on resource efficiency, the most gains to be made on the production side are found in new technological solutions (Bleischwitz et al 2009). When eco-innovation is oriented towards sustainable development, its understanding becomes broader. In the literature, eco-innovation includes, aside from technological solutions, social elements involving change in consumption, behavioural patterns and life-style change.

### Types of eco-innovation

There are different types of innovation which lead to various outcomes. The barriers and the opportunities for innovation could be better identified once the type of innovation becomes clear. Following this clarification, different policy mixes could be better determined.

Innovation can be defined along following dimensions:

- *Product or process*: Based on the Schumpeter's typology, innovation can be subdivided into product (“new good”) or process (“new method of production”) (Del Rio et al. 2010; Hellström 2007).
- *Incremental or radical*: The innovation can also be distinguished across the *newness of the offering*. The *incremental innovation* is based on a new technology or process which is marginally different from its predecessor. The *radical innovation* introduces new technologies and processes which are significantly different from the predecessor (Bleischwitz et al. 2009). It has been argued that an industry will face decreasing marginal returns on its incremental eco-innovation efforts, in terms of sustainability and financial improvements. Therefore, it is pertinent to regularly generate radical eco-innovation in order to push the technological system up to a new equilibrium (Murphy & Gouldson 2000).
- *Architectural (systemic) or component (modular)*: Component innovations take place when one or more modules integrated within a larger system are replaced, while the system itself stays intact. An architectural innovation, on the other hand, entails

changing the overall system design and also the way that its parts interact with each other (Hellström 2007).

## Eco-innovation and resource efficiency

The area of environmental innovation has been strongly influenced by eco-efficiency thinking: i.e. innovation in the way that firms improve the efficiency of their production processes, “in order to reduce environmental impacts as opposed to a production innovation, where environmental value is embodied in the firms output” (Hellström 2007: 150). It is important to understand the systemic nature of the “eco-efficiency” imperative of the World Business Council for Sustainable Development, in order to understand eco-innovation in term of products and processes (ibid.). However, eco-efficiency is focussed mostly on products and processes improvement and is less instructive in terms of product characteristics, on the basis of environmental norms. Therefore, eco-innovation based on the eco-efficiency concept represents mainly incremental processes and component innovations, but not radical and system innovation.

The routes eco-innovation is most likely to take today are based on *component innovation and incremental ones*, i.e. producing components in slightly different ways, moving from offering a product to a service, elimination of polluting product components, new clean replacement technologies etc. (Hellström 2007: 152). Most public strategies are focused on resource efficiency as a key strategy of eco-efficiency, and eco-innovation is also conceptualised in terms of component innovations rather than systemic or radical changes. However, the literature questions the potential of incremental innovation to “drive radical product or process innovation for global markets” (Hellström 2007). Incremental innovation, understood as the substitution of product and process with more environmental friendly ones, does still satisfy a certain existing demand. Coherently, such innovations conform to the existing model of consumption patterns and try to satisfy the current level of demand.

While radical component innovations introduce completely new product and processes, they also change and restructure the architecture of processes. The radical and architectural process innovations are the innovations that are least understood in the literature and also least applied in practice (Hellström 2007). These innovations aim to introduce completely new products and processes which positively impact the product quality and also change the demand side. Researchers have often expressed the need for radical, systemic technological changes to achieve demanding environmental sustainability goals (Nill & Kemp 2009; Hellström 2007)

As supported from an empirical study, eco-innovation based only on technological improvements for more resource efficiency seems to be biased away from the type of innovations which have the potential to realizing sustainable development (Huesemann 2003). Moreover, even when radical architectural innovation leads to improvement in the production process, the social system with its institutions, cultural settings, and life-style and consumption patterns will set limits to incremental or even radical technological development. The eco-innovations that are most likely to succeed in pushing the economy towards sustainable development will be those ones which include the social and

institutional dimension in the innovation of ecology and economy. The most applied incremental innovation on the other side seem to lock social practices into existing trajectories which then become increasingly more costly to break out (David 1985).

## **Challenges towards system innovation and some recommendations for policies**

For the challenge of leading to system changes, some initial recommendations are made below and will be discussed at the ESDN Conference 2011:

### *1. A shared long term vision*

By sharing perspectives about long-term goals, short term agendas can be derived for both business and policy makers. One example of such a vision is 'Vision 2050' developed by the World Business Council for Sustainable Development (WBCSD): 'In 2050, around 9 billion people live well, and within the limits of the planet'. This vision can motivate the various actors (companies, universities, technological institutions, NGOs) to commit and contribute to a new agenda that paves the way to a transition to a resource-efficient economy. On the EU level, the Europe 2020 strategy has the objective to induce smart, inclusive and sustainable growth. Setting the vision might affect to find new solutions to technological improvement, and may also change social trajectories which would lead to the achievement of these visions.

### *2. Research Agenda*

A shared long term vision can help to make a clear link between the research agenda and the effort for sustainability. Harnessing the complementary expertise of academia, industry and government is essential. Evidently, the knowledge agenda needs to address key areas of technological change, such as new materials, bio-mimicry, and artificial photosynthesis. However, technical knowledge is not enough to power the transition to a resource efficient Europe. Radical architectural innovations and system changes require involvement of various disciplines, knowledge dissemination, and the inducement of social innovation, market innovation, institutional innovation and new business models. The EU also needs to generate synergy between national and European R&D-programs (FP7/FP8) and the upcoming Eco-innovation action plan.

### *3. Stimulating frontrunners*

System changes require that innovative newcomers in the market are successful enough to challenge business-as-usual attitudes of players with vested interests. A top-runners approach is probably the best reward for frontrunners, such as Green Public Procurement (GPP). Frontrunners can also be supported by being given special opportunities, such as locating their company close to main ports and having access to other deliverers in the chain, to knowledge centers and other frontrunners. Moreover, it is important to frame the *radical innovation niches* as constituting attractive investment opportunities for venture capitalists. The private investor may note that unlike incremental process improvements, these innovations might form the basis of a totally new business. The public sector investor, on the other hand, may see in these innovations an "opportunity for a socially desirable production of positive long term environmental externalities and a platform for renewing national industry" (Hellström 2007).

#### *4. Market-based instruments*

The economic rationale for using market-based instruments lies in their ability to correct market failures in a cost-effective way. Market failure refers to a situation in which markets are either entirely lacking (e.g. environmental assets having the nature of public goods), or do not sufficiently account for the "true" or social costs of economic activity. Public intervention is then justified to correct these failures.

#### *5. Consumer incentives*

Influencing the demand side through adequate policies is essential to boost market penetration of clean technologies and green business practices. Better information through labeling, phasing out of unsustainable products, and creating financial incentives are examples.



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# **Resource security: The European Raw Material Initiative**

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## Introduction

In recent years, commodity markets have experienced increased volatility and unprecedented price movements in all major commodities, including energy and non-energy resources (i.e. metal, mineral). The years between 2002 and 2008 were marked by a major surge in demand for raw materials. There are numerous reasons for this in the physical markets. Some of them underlie market explanations, such as growing demand of BRIC countries for raw materials due to excessive economic growth and resulting shortage of supply. Some are the cause of the closed links of commodity markets with financial markets. Therefore, excessive speculations on commodity derivative markets have also caused price surges on real commodities. However, resource scarcity has moved up in the European political agenda mainly as an economic concern of ensuring access to resources and guaranteeing a sustainable supply. The European economy's dependency on resources is demonstrated in its import data from China, as China is accounted for 97% of the world production in 2009 (European Commission 2011). Moreover, Europe's value chain is highly depended on certain raw materials which are critical in terms of risks of supply and risks of distribution in face of the continuous growing economies as China, Brasil and India.

Against this background, in 2001 the EU has launched the raw material initiative in order to set guidelines on how to deal with the risks of resource scarcity and has worked since then to implement it. This ESDN Case study describes the aim and measures of the initiatives and which integrated approach it takes in regard to resource polices in a sustainable development context. It then provides some recommendations of tackling resource scarcity in the context of sustainable development<sup>1</sup>.

## European Union raw material initiative

Beyond the developments related to price volatility and the interaction between physical and financial commodities markets, the question of physical supplies of raw materials has been tackled in the [Raw Material Initiative](#) (RMI) of 2008. After an identification of 14 critical raw materials<sup>2</sup> - or restricted resources on the international markets with Member States and stakeholders - the European Commission clarified guidelines and measures in improving its own condition for the competition over these resources. In February 2011, an update on the RMI titled "[Tackling the challenges on commodity markets and on raw materials](#)" was presented to the public, setting the stage for future actions. In the frame of the RMI the EU has launched a bilateral cooperation on raw materials Within the [Africa/EU Joint strategy 2011-2013](#) and has proposed also actions for trade in the [Raw Materials Trade Strategy](#).

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<sup>1</sup> We would like to thank Robert Holnsteiner (Austrian Federal Ministry of Economy, Family and Youth) for valuable inputs for this case study. Mr. Holnsteiner will also hold a "flashlight" presentation about the topic of this case study in one of the parallel working groups at the ESDN Conference 2011.

<sup>2</sup> "Critical raw materials for the EU", report of the RMSG Ad-hoc working group on defining critical raw materials June 2010.

## Aims of the initiative

The initiative is based upon three pillars:

- *Reducing the EU's consumption of primary raw materials*: the first step in ensuring a sustainable supply of raw materials is to increase the efficiency in the use of scarce resources and to promote the recycling of these materials. This aim is all the more relevant in the context of limited supply growth facing ever increasing global demand.
- *Increasing the availability of raw materials sourced within the EU*: another important internal aspect of the initiative is to ensure that the right framework and conditions are in place to prevent unnecessary administrative burdens from limiting the use of locally available raw materials
- *Promoting the sustainable supply of raw materials from third countries*: this is the main external angle of the strategy. Given the dependence of the EU on imports, it is important to ensure that the supply of raw materials to our economy is both and carried out under undistorted and fair conditions for all parties (European Commission 2009).

The updated European Commission's Communication on ["Tackling the challenges on commodity markets and on raw materials"](#) is based on these three pillars, formulating its new aims similar to the aforementioned: (1) to monitor the critical raw materials, (2) to ensure a fair and sustainable supply of raw materials from global markets, (3) to foster a sustainable supply with resources from within Europe and (4) to reduce the raw materials consumption in Europe by boosting resource efficiency and recycling (European Commission 2011). It is noticeable that access to raw materials and a sustainable supply, which does not mean necessarily sustainable extraction methods, are the most specified aims (Sydow et al. 2011).

## Resource efficiency and resource scarcity

One of the main strategy aims in resource conservation is to become more resource efficient, not only within Europe, but also from a global perspective. The paths for doing so are underlined mainly in the Europe 2020 flagship initiative on resource efficiency, which will be followed by concrete action and measure in the road map for a resource efficient Europe. In this regards, the Raw Material Initiative (RMI) refers to the EU flagship initiatives which will set the main technological and structural changes in the production process to make the economy more resource efficient. However, the flagship initiative still lacks clear actions, which should be outlined in the future roadmap. The RMI further specifies the need in improving recycling rates and preventing the illegal export or dumping of waste electronic and electronic equipment. "Urban mining" is identified as a very useful strategy entailing a big potential in gain important critical resources such as metals (European Commission 2011: 18). In sum, the actions are mostly focussed on improving and enforcing waste legislation and the resource efficiency actions have to become more concrete.

## Access to resources and their linkages to development and sustainability issues

It is noticeable that the RMI does not necessarily link access to raw materials and their sustainable supply to environmental issues. Assured access to resources is regarded as a geopolitical issue that can be guaranteed through liberalization of trade policies (such as agreeing on the reduction of export restrictions), special partnerships for abolishing trade barriers, or in cases “where no progress was registered” using the tools of WTO dispute settlements with resource- rich countries (Sydow et al. 2011:4)

The sustainable supply is also vaguely linked with development issues. The RMI talks of “raw materials diplomacy” through enforcing partnerships, public consultation between resource rich countries and resource importing countries. The aim is to promote human rights, good governance, conflict resolution, regional stability. However, besides the naming of these concepts, no clear guidelines are indicated as how to prevent the resource curse.

Moreover, the EU development policy aim is to create linkages from extractive industries towards local industries, in order to improve the value chain. Regarding the extractive industry the EU encourages the reform of taxation regimes for improved revenues on resources. On the other hand, though it aims to have an unrestricted access to resources and liberalized trade regimes abolishing quotas, bans, duties. It is disputable, therefore, if one observes resources within the limited carrying capacity perspective, if trade liberalization is sustainable in the long-term in terms of conserving resources.

In light of the corruption and violation of human rights from the extractive industries the EU also encourages government to implement the Extractive Industries Transparency Initiative (EITI). This initiative should increase the accountability and transparency of companies in terms of revenues from extraction of resources. This is welcomed as corruption is a huge problem within the extractive industry sector (Sydow et al. 2011). However, the EITI is not a binding regulation and as long as no binding regulations are forced onto companies, there is too much reliance on the “good will of companies” (Sydow et al 2011).

From a global perspective the EU has prepared certain actions to better manage the waste shipments to third countries. This has been better specified under the Waste framework directive. Moreover, the illegal export and dumping of waste by supporting member states is implemented and regulated in the Waste shipment regulation (European Commission 2011: 14).

## Challenges of the RMI for future action

The RMI is regarded as a welcomed initiative at the European level. It is one of the first to identify resource scarcity as a concern for future economic development and provides useful recommendations from an economic and European perspective on resource scarcity (Friedns of the Earth 2008). The following guidelines related to supply security are being implemented at the national level:

- a) Saving “critical” resources;
- b) Save-guarding national supply;

- c) Elimination of trade barriers and distortion of competition;
- d) Enhancing resources efficiency and recycling;
- e) Science and technology measures concerning raw materials from unconventional sources;
- f) Recycling and substitution of raw material needed for future technologies (e.g. alternative energy systems, e-mobility).

However, the initiative relies too much on economic concerns and does not properly address the environmental and social implications of resource scarcity from a global perspective. In a global context of resource availability, the RMI shows a certain lack of coherence, above all regarding development policy goal and sustainability (Sydow et al 2011). The following points are to be mentioned if the RMI is being assessed in the context of sustainable development:

- *Unsustainable trade policies:* regarding trade policies, RMI is being criticised for enforcing the rights of importing countries (Sydow et al 2011:2) and not taking in consideration the long-term effect of those policies if resources should not be exploited above their natural limits.
- *Lack of clear actions on resource-efficiency:* there is still a lack of concrete actions and guidelines how the EU aims to undertake concrete actions in becoming a more resource efficient economy.
- *Lack of regulations:* while the resource sector is characterised by a lack of binding regulations and global governance structures, the RMI shows no step to close this gap and continues to rely on voluntary mechanisms or good will of companies. The lack of binding regulations on resource extraction at the company level and European standard on extraction industries, for not violating human rights should be better addressed in the future.

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# **Rebound effects and the ecological rucksack in the light of resource policies**

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## Introduction

Resource efficiency is currently considered in policy-making as a possible way out of the challenge of achieving economic growth while, at the same time, decreasing environmental degradation and resource use. However, efficiency gains might not lead to these expected outcomes if the so called “second-round or rebound effects”--economic responses to higher resource efficiency or productivity--result in higher consumption of resource use. In this case, efficiency gains are not compensating the potential savings of resource use during the production (Schetkatt 2009: 5). The existence of rebound effects is “undisputed in the literature, but its extent is not always clear and straightforward”(ibid.) This, on the other hand, affects the policy measures and instruments which should be informed on its existence in order to counteract the effect. Therefore, policies oriented to resource efficiency should also include instruments to counteract the rebound effects. The ecological rucksack is helpful in identifying the resource input, as to better measure the efficiency improvements in the production and the rebound effects that can be avoided for certain economic activities.

This ESDN Case Study provides an overview of rebound effects and the ecological rucksack of materials. In addition, the case study aims to provide background information for the working group session on “Rebound effects and ecological rucksack” at the ESDN Conference 2011<sup>1</sup>.

The case study is divided in two sub-sections. The first one focuses on the definition and conceptual clarifications of *rebound effects*, and identifies particular challenges in this matter. The second sub-section outlines the concept of *ecological and social rucksacks*, its weaknesses, and formulates also some future challenges in this topic.

## Resource efficiency and the rebound effects

Resource efficiency improvements are important to sustainable development, only if second round effects, i.e. economic responses to higher resource productivity--so called rebound effects--are not compensating or overcompensating for the potential savings of resources thus made possible (EEA, 2010). The rebound effect is a phenomenon based on economic theory. It was first described by Jevons in the 19<sup>th</sup> century and reemerged during the 1970s with the increase of studies on energy efficiency gains in home appliances. While the literature on the rebound effect generally focuses on the effect of technological improvements on energy consumption, the theory can also be applied to the use of any natural resource. The first claims in the 1970s postulated that increasing energy efficiency would also lead to reduced national energy consumption (Khazzoom 1980). However, these claims were later criticized by energy analysts evidencing that improved technical efficiency

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<sup>1</sup> We would like to thank Tibor Farago (Honorary Professor of St. Istvan University, Hungary; representative of the Hungarian Society of Nature Conservationists) for his valuable inputs to this case study. Mr. Farago will also hold a “flashlight” presentation about the topic of this case study in one of the parallel working groups at the ESDN Conference 2011.

actually results in economic gains that increase the rate of resource throughput (Wackernagel & Rees 1997).

### Definition of the rebound effect

The term “rebound effect” is used to describe the effect that lower costs of services and goods resulting from increased resource efficiency has on consumer behavior (ibid.) The rationale behind this effect is that the more efficiently a resource is processed, less expenditures are necessary to achieve a certain level of production and the less one pays for the consumption of a good (Schettkat 2009). The rebound effect is generally expressed as a *ratio* of the lost benefit compared to the expected environmental benefit when holding consumption constant (Grubb 1990). For instance, if a 5% improvement in vehicle fuel efficiency results in only a 2% drop in fuel use, there is a 60% rebound effect.

### Types of rebound effect

The rebound effect can be distinguished between a *direct* and *indirect* effect. The **direct rebound effect** occurs when efficiency gains reduce prices and raise demands for a specific resource. For example, increased fuel efficiency lowers the cost of consumption and hence increases the consumption of that good because of the substitution effect<sup>2</sup>. Therefore, improved vehicle fuel efficiency leads to increased fuel use from more driving, as driving becomes cheaper (EEA, 2010: 34).

Even if no direct demand response occurs, rising real income resulting from price reductions for products may cause a growth of demand of other goods and services. This is also called the **indirect rebound effect** (2010). For example, the indirect effect of improved vehicle fuel efficiency could encourage the increased consumption of other goods enabled by household cost savings from increased fuel efficiency. If consumption of other goods increased, the embodied fuel used in the production of those goods would increase as well.

### Policy responses

The attractiveness of efficiency improvements from technological solutions to environmental problems are very high (Schettkatt 2009), since they allow with the perpetuation of “business as usual” and avoid measures which might be perceived as welfare reductions (ibid.). But if rebound effects are very high, efficiency strategies cannot contribute substantially to sustainable development, but may be the cause of environmental problems. Sometimes rebound effects are even used to argue that resource conservation is futile and are given as a reason not to impose environmental policies or to increase resource efficiency (Potter 2007, Strassel 2001). Therefore, to understand the *magnitude of the rebound effects* is highly important for shaping future resource policy and its instruments. As policies might counter the rebound effects and lead to better conservation of resources.

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<sup>2</sup> Substitution effect derives from micro economics theory of households and describes the effect of a fall in prices, that induces a consumer to buy more of a relatively low-priced good and less of a high-priced one.

### Magnitude of rebound effects

When investigating the impact of efficiency improvements, there is no unified theoretical framework which could both capture the full complexity that exists around this effect and specify exactly the size and extent of the rebound effect. Therefore, the magnitude of the rebound effects depends on the theoretical framework used and on the model restrictions chosen (Schettkat 2009). There are two broad groups of outcomes regarding the size of the rebound effect:

- The gains are less than expected--the rebound effect is between 0% and 100%. This is sometimes known as “take-back” and is the most common result of empirical studies on individual markets.
- The actual resource gains are negative--the rebound effect is higher than 100%. This situation is commonly known as the Jevon`s paradox or “backfire”.

Based on one of the most comprehensive studies and systemic overview in the rebound literature work (done by the Energy Research Centre of the UK - UKERC), a 100% rebound effect of efficiency improvement is unlikely. According to the report results, the economy-wide rebound effects will be at least 10% and may frequently exceed 50% (Sorrell & Dimitroupolos 2007). Therefore, the rebound effect does not indicate that increased efficiency results in higher resource consumption and that resource policy must rely on other types of government interventions (Giampietro & Mayumi 2008). The literature suggests that if increased efficiency resulting in costs savings were to be closely followed by government interventions, such as resource taxes for making the resource consumption more expensive, a reduction of resource use might be the result of improved efficiency (EEA, 2010).

### Recommendations

Some recommendations related to the rebound effect could be formulated as following:

- *Better manage the direct rebound related to consumption* through acquisition of more eco-efficient devices by households or businesses. The minimization of the rebound effect, by increasing public awareness on those effects and by providing exact resource consumption information of the relevant products.
- *Better monitor and assess the rebound related to production*, such as the effect of introduction of new technologies. New resource efficient technologies affect the production process as less material inputs are needed for a certain product, which on the other hand, result in cost savings and increased production volume. The higher supply with resource efficient products leads also to higher environmental pressure. Therefore, the rebound related to production should be better assessed in the future.
- *Handle better the economy-wide rebound effect from a global perspective*. For example, the introduction of new resource efficient technologies might contribute in developed countries to even higher environmental health and therefore higher standard of living and wellbeing. But the transfer of old not very resource efficient technologies, and the transfer of products which cannot be used in well regulated

markets (i.e. pesticide, old trucks) to undeveloped countries, increases overall eco-pressure from a global perspective

- *The various types of rebound effect should be better integrated in the relevant eco-efficiency policy programs, considering the interlinkages between the direct and indirect effects as an integral part. This would affect the effectiveness of policy instruments and the various measures to tackle better resource efficiency and its rebounds effects.*

## **Resource efficiency and the ecological rucksack**

The promotion of sustainability and the measurement of resource use require appropriate indicators. The idea behind the ecological rucksack concept was developed by Friedrich Schmitdt-Bleek (1994, 1993) and Ernst Ulrich von Weizsäcker. In the early 1990s, they developed the MIPS (*Material Input Per unit of Service* concept), which operationalises the life-cycle sum of material input required to provide a certain service (i.e. economic goods). The basis for the MIPS is the ecological rucksack calculated for different goods or commodities.

### **Definition of the ecological rucksack**

The material input of a good is higher than the weight of the good itself. For example, many materials are used in order to attain a specific resource, and only a part of those resources enters the production process. The difference between the life cycle wide material input and the weight of the good itself is called “ecological rucksack” (EEA, 2010). An *ecological rucksack* is the total quantity (in kg) of the materials input moved from nature to the ecosphere to create a product or service or attain a raw material, minus the actual weight of the product ([GDRC](#), accessed June 1, 2011). The ecological rucksack indicates the amount of materials that are used directly or indirectly to produce the goods, but that are not incorporated in the good itself (ibid.). Indirectly used materials or “hidden material flows” include the materials which do not directly enter the production or trade process. For example, it is necessary to dig large rock tunnels in order to mine coal, but the rest of rocks do not directly enter the production process and the product itself---this is known as the “hidden stream” (Daozhong and Qingli, unknown date). These hidden streams are wasted resources which have been moved from their original place in the ecosphere.

The rucksack factor is thus a good indicator of the environmental strain or resource efficiency of the product or service. Once the rucksacks for certain products are calculated, one can better measure the potential dematerialization that exists, and also show the rebound effects that can be avoided (see below rebound effects) (Lähteenoja et al, 2008). For example, a reduction of the overall ecological rucksack of a product or service does not necessarily provide any information on increased resource efficiency if the reduction of one material is outbalanced by the increased use of another material. The general methodology coupled with such approach is the Material Flow Analysis (MFA).

There are various examples of the ecological rucksack, as each product and service carries a rucksack of materials which had to be moved or transformed in order to be produced (Schmidt-Bleek 1993). The book *The Fossil Makers* (Schmidt-Bleek 1993) mentions a variety of examples such as the “platinum and the catalytic converter, canned mineral water with

international brands, timber and furniture, caviar, precious stones and watches, rare earth and materials for jewels". For example, in order to extract one gram of platinum from platinum mine, 300,000 grams of rock must be displaced and modified. Without platinum, the catalytic converter in automobiles could not be produced. Two to three grams of platinum are found in one such catalytic converter, in addition to high-quality steels, ceramics, and other materials. Thus, the *ecological rucksack* of the catalytic converter, i.e. the total amount of material translocated for the purpose of constructing it, amounts to about one metric ton of environment. This means in effect that the catalytic converter burdens the automobile with as much matter as the car itself weighs (the calculation looks a bit different if the platinum is recycled from a used catalytic converter).

### Weaknesses of the ecological rucksack factor

Despite the effectiveness of the rucksack factor as an indicator, it still entails certain weaknesses, such as: complex and sophisticated calculations for complex products; inappropriateness for comparability of various products; overemphasis on the resource weight; and lack of emphasis on other functional and environmental parameters of products (i.e. usefulness of the products).

Firstly, the calculation of the rucksack factor is more difficult for complex products (i.e. mobile phone). Consequently, it is less evident how to use it for analyzing the various combined options for achieving better material productivity for a particular product.

Secondly, there are various environmental parameters characterizing the different materials aside from the total weight of hidden materials flows related to their end use in product. The rucksack factor neglects any information on the quality of the product or service. For example, it does not provide any information on the extent to which products that are used for the same purpose have varying degrees of durability (i.e. which of the products are less or more durable).

Thirdly, the rucksack factor does not take into account the usefulness of the product and service itself and should not be used for comparability between products. A product that meets basic human needs or is essential for human health should be distinguished from those products which are not needed for human needs. In this sense the rucksack factor should not be used for comparative analysis of products and services which are essential for human needs.

Based on the challenges mentioned above, some recommendations concerning the measurement and usage of the ecological rucksack could be compiled as follows:

- *Careful interpretation of eco-efficiency improvements related to the reduction in volume of the rucksack.* The reduction of the rucksack does not always mean higher eco-efficiency, if rebound effects outbalance the reduction of one material by increasing the utilization of other materials (i.e. rare, non-renewable material).
- *Materials flow analysis* should be more broadly applied and publicized.
- *Raise public awareness* regarding the relatively huge material and resource use for the "sake" of certain products or services, which go beyond basic human needs.

- *Broaden the various forms of eco-labeling* in case of certain products by means of providing information on the amount of materials translocated.



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# **Resource policies and governance challenges**

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## Introduction

Over the past 20 years, many concepts, tools and policy initiatives have been developed to support government, industry and civil society in making progress towards sustainable development. One of the main concerns in sustainable development is the conservation and management of resources. Although the overexploitation of natural resources is not a new phenomenon, national governments and international organisations have developed and implemented more dedicated public strategies on the sustainable use of these resources only lately. The data show that global resource use already exceeded the planets' biocapacity by 50% in 2007 with a population of 6.6 billion people (IEEP, 2011). If this population - rising to 9 billion in 2050 - is to be satisfied without burdens on the ecological systems and without economic instability due to resource scarcity and social unrest, then more concerted and coordinated approaches in various policies are required. The policy pressure in shaping strategies towards more efficient use of resources has been increasing, mainly due to scarcity of some finite resources and increasing pressure on many others that are more renewable. In this context, many initiatives have been released, setting the stage for actions and measures to lead markets and the society towards more sustainable resource use. Therefore, this challenge involves many stakeholders and makes resource efficiency not only an environmental but also an economic concern. A key development and concern is the proliferation of these strategies situated at different levels, and what their interlinkages are.

This ESDN case study provides an overview of some of those initiatives, such as the ones undertaken from the OECD, UNEP and EU. It outlines shortly the focus they take in setting objectives towards sustainable use of natural resources, and identifies some challenges and recommendations for future governance mechanisms and better coordination of those policies towards sustainable development. The case study will also inform the discussions at the ESDN Conference 2011<sup>1</sup>.

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<sup>1</sup> We would like to thank Daniel Wachter (Head of Sustainable Development Section, Federal Office for Spatial Development (ARE) for his valuable inputs to this case study. Mr. Wachter will also hold a "flashlight" presentation about the topic of this case study in one of the parallel working groups at the ESDN Conference 2011.

## **Resource policy initiatives and objectives at the international level**

The importance of natural resources as the basis of all economic activities, well-being and environmental health has been recognised at the international and European level in many initiatives for decades. However, only recently resource efficiency and resource scarcity concerns have shaped UNEP, OECD and EU policies towards a more focused approach and orientation. There are five varying types of strategies at the national and international level dealing directly or indirectly with natural resources: sustainable development strategies; green economy initiatives dealing with the whole greening of the economy; the sustainable action plans dealing with reduction of environmental impact of products and services; innovation and technology plans; and numerous micro-level or sectoral strategies such as biodiversity, energy climate and many more.

Following the Marrakech process, more than 30 countries have developed or are developing national SCP programs ([European Commission, 2011 News alert service](#)). According to a recent study commissioned from the European Commission, the SCP programs are not considered to provide strong, clear and balanced roadmaps, but instead slightly weak and diverse toolboxes. In terms of governance, the responsibility in policy towards promotion of green consumerism has shifted to businesses, NGOs, and consumers, which might potentially contribute to less effectiveness of these efforts ([European Commission, 2011 News alert service](#)). The content on natural resources in these action plans is extremely limited, only considering resource efficiency in economic terms.

Facing the economic crises, European and international organisations have felt the need to clearly prepare strategies which better link environmental protection and economic development. Against this background, many strategies have set the goals of a “*low carbon economy*” or “*green economy*”, “*economic stability*”, and “*social equity*”, such as the [OECD Green Growth strategy](#), [UNEP Green economy initiative](#) (GEI) or the [Europe 2020 strategy](#). These policy strategies have come up with clear actions and policy tools, plans and guides setting the vision for the years to come. The aforementioned green economy initiatives and strategies aim to identify policies that would promote both economic efficiency and environmental integrity, while ensuring social equity. For example, the OECD strategy guides government intervention across broader green growth policy areas, covering fiscal, innovation, trade, labor and social policies, as well as key sectors such as energy, transport, agriculture and fisheries (OECD 2010). They mostly identify the drivers for environmental degradation and show the economic benefit of green investments (e.g. UNEP GEI). Natural resources are herein taken into consideration as links between economic activities and the environment. The focus of the strategies is more on greening the whole economy rather than on giving attention to better conservation of particular resources.

## **Challenges and recommendations for better governance mechanisms at the international level**

Only recently, strategies on resource efficiency, like the [Resource efficient Europe Flagship initiative](#), [sustainable materials managements](#) (OECD 2010) and [UNEP “Resource Panel”](#) have specifically addressed natural resources and sustainable resource management issues. They are trying to feed the whole debate on the green economy strategies and better apply the resource topics to the broader debate on green economy. Beside the overarching strategies,

there are also many sectoral public strategies focussing on energy efficiency, biodiversity, rare materials, clean-tech plans addressing the micro-level policies, with an important stake on resource management.

There is still not a lot of evidence on where the linkages and synergies exist between these overarching framework strategies, such as green economy initiatives, SCP action plans, and resource management and resource productivity initiatives. Likewise, there are no clear guidelines or recommendations on how the coordination between those strategies should follow at the international or national level in order to advance cooperation and progress towards sustainable development. A recent OECD study on sustainable materials management (SMM), has though compared the objectives and areas of common interest<sup>2</sup> and came to the following conclusions (OECD, 2010a):

- The initiatives have different names, but there is substantial overlap in scope and objectives;
- There exists opportunity for greater collaboration and cooperation in terms of resources applied to the initiatives;
- The strategies on resource management can support the existing efforts in green economy or SCP;
- Green growth strategy and the SCP framework for action provide comprehensive approaches. Therefore, the OECD suggests that it would be useful first to look at improving the integration of these two initiatives. And secondly to better map how the initiatives on resource productivity, sustainable management or resources efficiency could support specific aspects of these programs in order to optimize collaboration and minimize overlap (OECD, 2010a).

A solid legal and regulatory basis on resource management is still not given. There is still no international convention on resource management such as that which exists on climate change, binding all countries at the international level to reach certain quantified targets (Bleischwitz 2009; Bleischwitz & Brigenzu 2007; Bleischwitz & Pfeil 2009). Therefore, it is also being recommended that such a convention is introduced soon in order to improve the information exchanged among countries on resource policies, and also to create incentives of national learning processes for those policies. The convention should aim to set clear goals on sustainable and peaceful resource management and to establish binding principles on material efficiency and conservation of resources (Bleischwitz 2009). Moreover, the convention should also find an institutional anchor, such as, for example, an Agency on International Resource Management, in order to supervise and control the information needed and the implementation of resource policies. The institutional set up, the convention and the UNEP Resource Panel could form a first basis upon which better governance mechanisms on sustainable resource management could be built upon (Bleischwitz 2009).

## **EU natural resource policy – the current picture**

The EU's new strategy for growth and jobs, "Europe 2020", relies on 7 flagship initiatives, which reinforce the main objective of the strategy of a "smart, sustainable and inclusive

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<sup>2</sup> The initiatives investigated were the OECD Green Growth Strategy, European Integrated Product Policy, The SCP-Marrakech process, OECD SMM.

growth". Some of these initiatives have potential relevance to sustainable use of natural resources and address resource issues directly or indirectly (IEEP 2011). These focus particularly on resource efficiency ("Resource efficient Europe Flagship initiative"), innovation ("Innovation Union"), industrial policy, and security of rare raw materials ("European Commission Communication on Raw Materials and Commodity Markets"). Although these have been published, there is no detail yet on targets and actions as to how resource efficiency is to be understood (IEEP 2011). The main flagship initiative towards a resource efficient economy will be followed by a roadmap, setting clear actions and goals for 2020 and formulating already a vision for 2050. The road map is expected to be published in mid-2011.

The overarching EU resource policy that cuts across many policy areas, by making it not only an environmental but also economic concern, is a relatively recent development. At the EU level, resource use has already been tackled in a holistic approach in the EU SDS. The EU SDS has also identified the better management of resources as one of the seven key challenges for the years to come: *"Safeguard the earth's capacity to support life in all its diversity, respect the limits of the planet's natural resources and promote sustainable production and consumption to break the link between economic growth and environmental degradation."* (European Commission, 2005: 23). Resource use has been set as a goal in the EU's environmental action plans. The 2002 6<sup>th</sup> Environmental Action Plan (EAP) identified natural resources and waste as one of the four key priority areas for the next decade. In 2005, the thematic strategies on sustainable use of natural resources were published alongside a thematic strategy on waste prevention and recycling to take forward the aims of the 6<sup>th</sup> EAP. These thematic strategies form also the cornerstone of EU natural resource policy (IEEP 2011).

The EU Thematic Resource strategy was one of the first strategies which addressed natural resources in a horizontal way (IEEP 2011). Its four key action areas focused on improving and understanding the knowledge of European resource use, developing tools to monitor and report progress, integrating life-cycle assessments to relevant areas, and raising awareness on natural resource impacts (European Commission, 2005:5).

The strategy was widely criticized for its insufficient specification of key concepts (such as 'resources'), lack of operational tools (e.g. for measuring environmental impacts linked to resource use), and lack of specific targets with quantitative goals (BIS, 2010). However, the future flagship initiative on a resource efficient Europe can build on some foundations, such as the establishment of the Eurostat data centre on products and natural resources and a proposal by the Commission to create a regulation on the European environmental accounts. This regulation would help the regular and harmonized presentation of national accounts on various natural resources (IEEP, 2011).

In 2008, other policies focused on the links of resource use and production and consumption pattern such as the [Sustainable Consumption and Production and Sustainable Industrial Policy](#) (SCP/SIP) or on specific materials ([Raw materials initiative](#)). The SCP Action Plan aims to contribute to the improvement of the environmental performance of products, boost demand for more sustainable goods and production technologies, and foster innovation. The Action Plan was accompanied by proposals for a recast of the Eco-design and Energy Labeling Directives and the revision of the Eco-label (Brigenzu, 2006). The content of natural

resources was, however, extremely limited despite the action plan containing a section on “boosting resource efficiency” (IEEP, 2011). It mostly referred to the EU thematic strategy on natural resources regarding the intention of creating tools to monitor benchmark and promote resource efficiency taking account of the life cycle perspective (IEEP, 2011).

The [Raw Material Initiative](#) (RMI) focuses on physical supplies of key raw materials such as non energy and non-agricultural raw materials (metallic minerals, industrial minerals, construction materials, wood) (European Commission, 2011a: 4-5). The initiative establishes an integrated strategy to respond to different challenges related to access to non-energy and non-agricultural raw materials. The RMI is based on three pillars: ensuring access to raw materials at an international level, fostering sustainable supply from European sources, boosting overall resource efficiency, and promoting recycling to reduce the EU’s consumption of primary raw materials.

### Challenges and recommendations for better governance mechanisms at the European level

As there are many initiatives at the European level driving national initiatives on resource policies, a better overview on the synergies and linkages in target actions and measures is needed. At the EU level some overarching resources related policies are in place (SCP Action Plan, the Europe 2020 strategy with its flagship initiatives), as well as more specific resources related provisions in product or process based legislation (IEEP 2011: 6). Generally as assessed in the IIEP environmental policy study, the gap still exists between the overarching policies and the detail needed for more concrete implementation measures to drive policy. The study has outlined that the overarching strategies (Europe 2020 and its flagship initiatives) will not be the ones driving the middle level strategies on resources. So the “public policy framework needs to provide a more effective hierarchy of measures during a time of continuing data gaps” (IEEP 2011: 7). This is said to have particular natural resource impacts and integration of natural resources aspects into micro level policies.

Some recommendations concerning the governance challenges which could be further discussed at the ESDN Conference 2011 can be formulated as following:

- Create order among the numerous strategies; establish a meta-co-ordination. This could be a role for sustainable development strategies, in particular.
- Limit additional strategies and strategy processes as much as possible, particularly if they do not contain real novelties or add value in comparison to sustainable development strategies.
- Avoid redundant or duplicating strategies, such as for clean-tech or green growth. Focus as much as possible on sustainable development strategies.
- Use new debates on green growth or clean-tech to better integrate actors from the private sector or from finance or economy ministries in the sustainable development process.
- Strengthen sustainable development processes in order to improve delivery.
- Better link EU and national levels (governance mechanisms).



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# The Swiss NSDS and its integration into the National Legislative Program

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ESDN Case Study N°9



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# 1 Introduction

This ESDN Case Study provides an overview of the Swiss NSDS (chapter 2) and its link to the Swiss Government Legislative Program (chapter 3). The case study has two major aims: on the one hand, it shows some insights into one of the most successful NSDS processes in Europe; on the other hand, it outlines the process of linking the NSDS to the national legislative program of Switzerland and thus making the strategy part of a high-level political planning document. In order to get first-hand information, especially on the NSDS link to the government legislative program, we interviewed Daniel Wachter, the Swiss NSDS coordinator.

The third and current [National Sustainable Development Strategy \(NSDS\)](#) of Switzerland was approved by the Swiss Federal Council in 2008. The two previous NSDSs were published in [2002](#) and 1997. At the moment, the next update of the NSDS is in preparation and will be adopted in early 2012 (for the period 2012 - 2015); this update is part of the preparation process in Switzerland for the [UN Conference on Sustainable Development \("Rio +20"\)](#).

In 2009, the NSDS became a sub-strategy of the Swiss Government Legislative Program. The strong connection between these two processes generally resulted in the improvement of the implementation of the strategy, which brought along various advantages like a more efficient coordination, a more solid institutional anchoring of the NSDS, and a more effective integration of sustainable development into government policy. Overall, a broader acceptance of the NSDS was enabled ([ESDN, Country Profile Switzerland](#)), yet there are still some weaknesses to be tackled.

## 2 Swiss National Sustainable Development Strategy

Since 1997, the [Federal Council of Switzerland](#) has been applying an NSDS as the basis for performing its constitutional task of achieving sustainable development. The current NSDS comprises the federal [policy guidelines and an additional Action Plan](#) for the duration of the current legislative period (2008 - 2011). Technical reports provide an insight into implementation activities performed under the Action Plan. The NSDS 2008-2011 was evaluated in 2010 and is currently being renewed for the [period 2012 - 2015](#).

### 2.1 Five guidelines of sustainable development

The five guidelines of sustainable development in Switzerland are based on Articles 2, 54 and 73 of the Swiss Federal Constitution, and on international reference documents issued by the UN and the OECD. These guidelines need to be taken into account for sustainable development policy in Switzerland, and they form an integral part of the NSDS:

- i. **Fulfilling responsibility towards the future:** through prevention, liability and “polluter pays” principle;

- ii. **Balanced consideration of the three target dimensions:** all three areas of environmental responsibility, economic performance and social solidarity should be given attention equally;
- iii. **Integration of Sustainable Development into all areas of policy:** Sustainable Development should be treated as a maxim in all areas of politics and political processes;
- iv. **Improving coordination between policy areas and enhancing coherence:** The impact of key political decisions on all three target dimensions should be analyzed and assessed at an early stage;
- v. **Achieving Sustainable Development on the basis of partnership:** All institutional levels should work together constructively and fulfill their role as an interface for civil society and the private sector (Swiss Federal Council, 2008).

## 2.2 Action Plan 2008-2011

The actual Action Plan had the aim to boost the existing approaches to sustainable development during the past legislative period. The objective is to implement a more **horizontal, cross-sectoral approach** and to move away from sector-based thinking and action. The political initiatives and projects in the framework of the NSDS are supposed to be coordinated effectively in order to improve environmental quality, economic performance and social solidarity.

**The Action Plan's five priorities** were defined by the [Interdepartmental Sustainable Development Committee \(ISDC\)](#): (1) Fight global warming and overcome natural hazards; (2) Enhance economic productivity while decoupling it from resource and energy consumption; (3) Ensure sustainable use of natural resources minimizing environmental impact; (4) Ensure fair access to social and economic resources; and (5) Fight global poverty and build peace.

In general accordance with the renewed EU SDS of 2006, the Action Plan contains 11 thematic action areas with 30 measures, from which the Federal Council defined **eight key strategic priority challenges**: climate change and natural hazards; energy; spatial development and transport; economy, production and consumption; use of natural resources; social cohesion, demography and migration; public health, sport and the promotion of physical exercise; global development and environmental changes. Furthermore, there are three other **horizontal policy areas** that have an impact on all eight key challenges. These areas build up a solid base for sustainable action: fiscal policy; education, research and innovation; culture.

## 2.3 Responsibilities and ancillary measures in implementing the NSDS

The political responsibility for the NSDS and its Action Plan lies with the Federal Council. The related Federal Administration offices from all seven departments (ministries) are responsible for the implementation of the defined measures. Information, coordination and discussion with regard to the Federal Government's sustainability-related activities and processes are facilitated by the ISDC. The

Federal Office for Spatial Development (ARE) is responsible for the NSDS process in the Swiss Government. Figure 1 below shows the different responsibilities in the implementation of the Swiss NSDS:

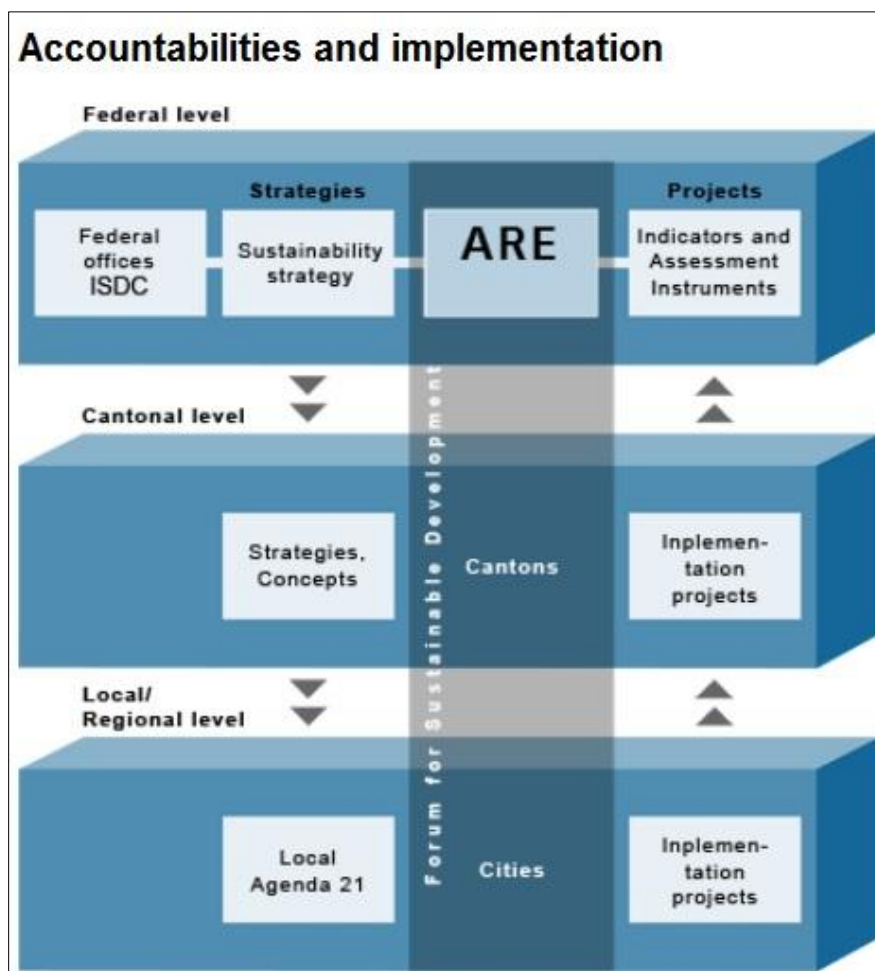


Figure 1 ([ARE: Accountabilities and implementation](#))

## 2.4 The Interdepartmental Sustainable Development Committee (ISDC)

The ISDC is composed of approximately 30 Federal Agencies which formulate policies and undertake activities relevant to sustainable development. Under the leadership of the [ARE \(Federal Office for Spatial Development\)](#), the [Federal Office of Public Health \(FOPH\)](#), the [Federal Office for Agriculture \(FOAG\)](#), the [Federal Office for the Environment \(FOEN\)](#) and the [Swiss Agency for Development and Cooperation \(SDC\)](#) together constitute the ISDC's leadership body. The main aim of the ISDC is the development, coordination and harmonization of activities of Confederation policy in areas related to sustainable development. Its main tasks include:



- Coordination of Confederation policy in areas of sustainable development;
- Interdepartmental and interagency coordination of Confederation activities significant to sustainable development;
- Joint development of strategies and Action Plans for Switzerland's implementation of Agenda 21;
- Coordination of Switzerland's position in international processes, and reporting to international bodies such as the United Nations;
- Maintain and cultivate relationships within the Federal Administration as well as with the private sector and civil society ([ARE: Interdepartmental Sustainable Development Committee](#)).

## 2.5 Cooperation at the federal level and financing

Each Government Agency is responsible for the financial planning of the NSDS implementation. The ISDC supports the various Government Agencies in the fulfillment of their sustainable development-related tasks. It also supports ARE with the compilation and assessment of reports and with strategy evaluations to be reviewed by the Federal Council. It will then submit the recommendations and the ongoing refinement of the NSDS to the Federal Council. ARE enables exchange between the various Government Agencies. Interested Government Agencies, which are part of the ISDC, can participate in joint projects and thereby supplement ARE's limited financial resources. All Government Agencies should encourage staff to participate in training courses that are dedicated to sustainable development. Moreover, the ISDC produces a collection of good examples of the integration of sustainability into sectoral policies and is supposed to brief Federal Government Agencies and the public about these practices (Swiss Federal Council, 2008).

## 2.6 Sustainability assessments

"In the interest of the balanced inclusion of the three target dimensions [...] and improving policy coherence [...], it is very important to the Federal Council that decisions are presented and explained transparently" (Swiss Federal Council, 2008, 41). To achieve transparency in the assessment of sustainability, a [specific methodology](#) has been developed in the context of the NSDS 2002 and is still implemented for the current NSDS. It is a means of evaluation and optimization which analyzes social, economic and environmental impacts of the Federal Government's political projects and initiatives at strategy, plan and program level. Sustainability assessments are conducted throughout the project cycle, from initial development to final decision, and may lead to several interim assessments. ARE supports Federal Government Agencies in their choice of methods and instruments and in conducting the assessment itself (Swiss Federal Council, 2008).

## 2.7 Monitoring and indicators

The Federal Council updates the Action Plan at intervals that correspond to the Swiss legislative periods of a term of four years. The Monitoring Sustainable Development ([MONET](#)) scheme is an assessment tool which forms the basis of reporting the process of sustainable development at the national level. It

measures and documents the current situation and trends in Switzerland with regard to social, economic and environmental aspects of sustainable development (Swiss Federal Council, 2008). MONET contains around 75 indicators and permits regular reporting on the status and progress of sustainable development in Switzerland. The main features and trends are shown in simplified form by 16 key indicators ([ARE: Measuring Sustainability in Switzerland](#)).

MONET was established by the [Swiss Federal Statistical Office \(SFSO\)](#), the Federal Office for Spatial Development (ARE) and the Federal Office for the Environment (FOEN). In addition to MONET, other indicator-based analyses of sustainable development, such as the ecological footprint, are applied (Swiss Federal Council, 2008).

## 2.8 Cooperation between the Federal Government, cantons and municipalities

The Federal Council is also concerned that sustainable development principles are integrated at cantonal and municipal levels. Generally, the NSDS is supposed to be adapted and extended appropriately at cantonal and municipal levels. Although the NSDS is not binding on the sub-national level, Switzerland's cantons are thought to embark on similar initiatives as the Federal Council's strategy on a voluntary basis, with all such initiatives following the five guidelines for action on sustainable development. These initiatives should not be regarded as additional tasks, but as the actual implementation of the Federal Council's strategy at cantonal and municipal levels (Swiss Federal Council, 2008).

In order to foster sustainable development integration, the [Sustainable Development Forum](#) was formed in the context of the [Sustainable Development Strategy 2002](#), where representatives of the Federation, the cantons, cities, communities and regions actively participate at meetings twice a year. The aim of the forum is the exchange of information of different areas and the support and coordination of implementation projects ([ARE: Forum Nachhaltige Entwicklung](#)). Although there is no legal enforcement, there have been an increasing number of sustainable development initiatives at the sub-national level. In total, 16 of the 27 cantons as well as 5 percent of the communes (representing 32 percent of the Swiss population since all major cities participate) have participated voluntarily in NSDS initiatives. Since cantons usually insist on their independence, it has showed that voluntary cooperation is the most effective way of achieving sustainability (Wachter, 2011).

## 2.9 Cooperation with other stakeholder groups

In order to ensure the effective implementation of the NSDS in Switzerland, a process of dialogue between the Federal Government, institutional stakeholders, civil society and the private sector is fostered. *“Alongside the cantons, municipalities and regions, all of the other parties involved – such as the private sector, NGOs, religious organizations and political parties – must also factor the content of the Sustainable Development Strategy appropriately into their own activities”* (Swiss Federal Council, 2008, 45). Working with the ISDC, the ARE is committed to creating a network that involves additional stakeholder groups more closely in the NSDS implementation process (Swiss Federal Council, 2008).

Overall, the cooperation between stakeholders is regarded as very important, since the draft of the new strategy (for the legislative period 2012 - 2015) has been discussed with the stakeholders in the framework of the [Sustainable Development Dialogue](#) in September 2011 (Wachter, 2011). This platform is an arrangement for increasing the cooperation between the federation and the stakeholders. The next dialogue will be held in May 2012 ([ARE: Dialog Nachhaltige Entwicklung Schweiz](#)).

## 2.10 Evaluation of the Swiss NSDS

The [evaluation](#) of the Swiss NSDS was conducted between June and November 2010 by the [INFRAS research and consulting group](#) with the aim to *“conduct a retrospective assessment of the relevance, appropriateness and effectiveness of the SD Strategy, and to formulate recommendations for its future development”* (ARE, INFRAS, 2011). The evaluation was based primarily on document analysis, as well as interviews with major stakeholders (i.e. stakeholders responsible for implementation of measures at federal level, representatives of NGOs, cantons and local authorities).

The evaluation shows that the greatest strength of the NSDS lies in its function as a point of reference and orientation for all active stakeholders involved in the process of sustainable development, such as *„the Federal Government, the cantons, local authorities, business and civil society”* (ARE, INFRAS, 2011, 26). Other positive effects brought about by the NSDS are:

- High level of acceptance for the strategy;
- Promotion of awareness and discussion of sustainable development;
- Considerable credibility because of approval every four years by the Federal Council;
- Clearly defined responsibilities for sustainability policy at the federal level;
- Ensured coordination within the Federal Government through the ARE/ISDC.

The evaluation also points to a variety of weaknesses of the NSDS:

- Lack of clear and measurable targets makes it difficult to review the effectiveness of the NSDS;
- Lack of comprehensive and systematic controlling at the overall strategy level;
- Too little control by the ARE/ISDC over the NSDS measures;
- Only coordinative function of the ISDC, no possibility to influence or act as a binding force on the implementing bodies (ARE, INFRAS, 2011).

## 2.11 Renewal of the NSDS (2012-2015)

The renewal of the strategy for the next legislative period 2012 - 2015 will not bring about fundamental changes to the current NSDS; the Action Plan will be adjusted and up-dated, in particular. The number of key challenges will be slightly shortened, plus there will also be a differentiation between ongoing and new measures, with the new measures being put into the center of political attention. For instance, the new “Energy Strategy 2050” will reorient Swiss energy policy in the aftermath of the Fukushima nuclear

accident and the decision by the Swiss Parliament not to replace nuclear power plants after the end of their secure technical life. The general aim is to take stock of all major current and newly planned initiatives in favor of sustainable development. The institutional responsibilities for the NSDS process will also not change with the renewal of the NSDS (Wachter, 2011).

### 3 Integration of the NSDS into the Legislative Program

*[Note: This part of the Case Study is based on a telephone interview with Daniel Wachter (Swiss NSDS Coordinator, ARE) conducted on 6 December 2011. We would like to thank Daniel very much for his availability and insights.]*

The Federal Act on Parliament requires the Federal Council to plan for legislative periods of four years. The “Legislative Program” is the Government’s overall strategy or work program. There is generally a strong linkage between the planning of the legislative period and the NSDS. Both processes cover a wide range of issues, but they differ in terms of their content focus and time horizon. The NSDS has a long-term nature and gives particular emphasis on a series of key challenges by proposing important strategic activities to different policy sectors. On the other hand, the legislative planning concentrates on legislative dossiers from the whole spectrum of government action (Swiss Federal Council, 2008).

The current NSDS (covering the period from 2008-2011) is the third strategy for sustainable development and was, for the first time, developed in parallel with the Legislative Program. The first two strategies were primarily developed for international summits (Rio+5 in 1997; Johannesburg in 2002): the first one in 1997 was a plain list of measures; the second one in 2002 was more comprehensive and included an Action Plan. The third and current NSDS is a comprehensive strategy, again including an Action Plan. When developing the current version of the NSDS, the discussion arose whether or not the NSDS was a parallel or contradicting strategy to the Government Program. During the discussions it became apparent that the NSDS should be coherent with the Government Program with a specifically focused Action Plan. In 2009, the Federal Council decided to formally link the NSDS and the Legislative Program. The next NSDS for the period of 2012 - 2015 will formally be a part of the Legislative Program and be published as its annex, which refers to an **increasing acceptance and institutionalization of the NSDS**.

The NSDS as sub-strategy of the Legislative Program differs from the latter in that

- its time horizon is longer than the 4 year legislative period;
- it is not limited to legislative projects but also comprises other government actions; and
- it is thematically focused on a limited number of key challenges related to sustainable development.

The **NSDS additionally contains some legislative proposals** which are, however, fully in line with the Legislative Program. As Daniel Wachter stated, the Legislative Program and the NSDS have been

coordinated as much as possible, nevertheless there remain some inconsistencies, since *“the Legislative Program is not 100 percent geared towards sustainability”*.

It might be interesting to explain that there exists no specific budget for the implementation of NSDS Action Plan; the NSDS and the Legislative Program are so called *“working programs”* with high political importance, but the budgeting for the measures is negotiated through a specific process of approval by the Federal Government and Parliament. Every measure has to be adopted and gets financed through ordinary procedures for adopting political projects. But the NSDS evaluation has shown that, through the inclusion of the NSDS and the political importance of measures achieved through this, there is a high probability for implementation (Wachter, 2011).

### 3.1 Specific effects of integrating the NSDS into the Legislative Program

- Speaking of specific effects on the NSDS and its process in general, Daniel Wachter said that *“no quantum leap has occurred”* by linking the strategy to the Legislative Program. He argued that the NSDS has not become more binding in the legal sense, but has remained a *“working program”*. He pointed out that, nevertheless, the integration into the government’s program has **gradually increased the NSDS’s political weight**.
- The integration of the NSDS into the Legislative Program had no direct effect on horizontal policy coordination mechanisms, as sectoral policies or inter-ministerial coordination were not affected. Yet, an overall **increase of coordination between the policy sectors** could be achieved.
- Daniel Wachter mentioned that without there being a direct causal relationship, the increasing acceptance and institutionalization for the NSDS on the national level has also helped the **vertical policy cooperation**, respectively the coordination between the different cantons of Switzerland. Currently *“there is a lot of progress”* going on, which in fact means that, although this *“process is not nationwide”*, the majority of the cantons, all major cities, and many more communes have been involved in sustainable development processes on a voluntary basis.
- Daniel Wachter argued that eventual changes in **coordination with stakeholders** are *“difficult to quantify”* and added that eventual changes are intricate and can be traced back to the integration of the NSDS into the Legislative Program. However, he stated that the drafting of the new strategy (2012 - 2015) has been discussed with the stakeholders and that *“it seems that the strategy is being seen and used as a reference framework”*, which *“gradually increases in acknowledgement”*.

Generally, however, Daniel Wachter stated that it nevertheless remains difficult to assess whether the anchoring of the NSDS in the Legislative Program has increased the overall importance of sustainable development, or if it has been addressed in a stronger way at the political level.

### 3.2 Experiences with the Swiss process of integration and its transferability to other countries

Daniel Wachter agreed with the evaluation of the INFRAS research and consulting group which assessed the integration of the NSDS into the Legislative Program as **very positive and forward-looking**. He added that it has been recommended to continue the integration of the NSDS into the Legislative Program in the future, eventually increasing its liability, since the evaluation has shown some overall positive results.

Parallel to integrating the NSDS into the Legislative Program, and based on an amendment of the Federal Act on Parliament, a change in the legislative proposals by the Swiss Government put forward to the Parliament has been introduced: Besides formal guidelines for every subject, every legal proposal must now contain an assessment of its specific impact(s) on environmental responsibility, economic performance, and social solidarity. This does not entail a direct legal obligation to apply the Sustainability Assessment instrument that has been developed in the context of the NSDS, but will, together with the integration of the NSDS in the Legislative Program, certainly help to widen the instrument's application.

As one of the **challenges for the implementation of sustainable development** in Switzerland, Daniel Wachter brought up the problem of how to *"nourish the sustainable development process in order to keep it politically relevant"*, since many key sustainable development topics, like climate change or biodiversity, have experienced their own and separate institutionalization. The sustainable development process must play the role of an innovator and incubator for new, emerging issues, including other environmental issues. Furthermore, he stated that other policy strategies related to sustainable development (e.g. Green Growth Strategies) applied at the European and international level, that put the focus again on sectoral issues and approaches, might create *"certain threats for sustainable development and cross-sectoral integration"*.

As far as the **transferability** of the Swiss system to other countries is concerned, a direct application in other countries could be difficult. But the underlying principle and the **integration of sustainable development into central policy planning should be taken into account**. Speaking of the Swiss model of integration, it is important to take a look at its political system which is *"extremely geared to consistency"*. The Swiss Government is formed as Collegial Government with the biggest political parties collaborating, but without the formation of coalitions, coalition agreement or coalition program which usually consist in parliamentary democracies. An additional important element in Switzerland is its direct democracy. All of these elements also affect the way political planning and strategies are carried out. Overall, it is probably Switzerland's *"peculiar political system"* with *"no great leaps in a positive sense"* that makes Switzerland adapted for a long-term implementation of sustainable development.

## **4 Conclusions**

The integration of the NSDS into the Swiss Legislative Program has not only promoted the consideration of sustainable development into legislative proposals put forward by the government to the parliament, but has also increased the overall political awareness of issues and principles of sustainable development on the various levels of governance. Since the Legislative Program, together with the NSDS, is reviewed and renewed for every Swiss legislative period, its political relevance has increased.

In addition, the vertical and horizontal cooperation concerning the sustainable development process has been increased and improved. Around a third of the Swiss population is currently involved in sustainable development related local processes, with voluntary participation as an underlying principle.

Switzerland's political structure – which is aligned to slow, incremental changes as well as an overall high level of quality-of-life, prosperity, and high stability – has certainly played a major role in the implementation of sustainable development related issues at all levels of governance.

In summary, the integration of the NSDS in the Legislative Program has been an overall success for the implementation of sustainable development principles in Switzerland.



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# Canada's Federal Sustainable Development Strategy

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ESDN Case Study N°10



European Sustainable Development Network

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# 1 Introduction

This ESDN Case Study provides an in-depth look into the Federal Sustainable Development Strategy of Canada, which was adopted in 2010. It aims to identify the specific approach of strategic policy planning for sustainable development in Canada, one of the most important countries of North America. We have already included Canada in our [ESDN Quarterly Report of September 2009](#) that gives an overview of sustainable development strategies beyond Europe, but the newly adopted federal strategy and the recent progress report of 2011 make a fresh look into the Canadian experience worthwhile. Moreover, we provide a comparison of Canada's SD Strategy and the renewed EU SDS of 2006.

Canada is a large country of vast distances and a dispersed population, characterized by a northern climate and a high population growth. With its economy based on production and export of natural resources, it is highly dependent on the health and sustainability of natural resource industries. Canada has set up a [Federal Sustainable Development Strategy](#) (FSDS) to improve life quality and human health, conserving the environment using natural resources efficiently and establishing long-term economic performance. As outlined in the strategy itself, it is based on sustainable development by taking into account its three dimensions of environmental responsibility, economic competitiveness and social solidarity, but puts environmental considerations in first place (Environment Canada, 2010). And it stands for actions on all levels, involving citizens, industry and governments ([Environment of Canada: Sustainable Development](#)).

## 1.1 History of the FSDS

The objective of sustainable development is a reaction to the worldwide changes that have marked the last four decades. In 1995, the Canadian [Auditor General Act](#) required federal departments and agencies to create their own individual departmental strategies for sustainable development. In the same year, the office of the [Commissioner of the Environment and Sustainable Development](#) (CESD) was created "with a mandate to monitor the extent to which departments met the objectives of their sustainable development strategies" (Environment Canada, 2010, 10).

However, the departmental strategies did not deliver the expected results, as there was no government-wide strategy and no common goals and targets set. As a result, the achievements of the strategies

### History of the FSDS in short

**1995:** Auditor General Act requires federal departments and agencies to develop their individual strategies in Parliament.

**1995:** Creation of the Office of the Commissioner of the Environment and Sustainable Development (CESD). In the following years, the decentralized approach is recognized as a beginning of the implementation of SD principles, but yet shows a number of weaknesses which are highlighted in annual reports published by the CESD. A period of persistent criticism remarks the beginning of a change in the system.

**2007:** Review of Canada's previous 10 years of SD planning.

**2008:** The FSDS is developed and requires the Government of Canada to develop a comprehensive SD strategy.

**2010:** The FSDS is adopted on October 6<sup>th</sup>

**2011:** The first progress report on FSDS is published in June 2011.

could not be measured or monitored (also due to inadequate performance measurement, monitoring and reporting), and environmental issues were pushed to the margins of federal planning and reporting. Moreover, the CESCD published reports on the implementation of sustainable development in federal planning (annually since 1998) which pointed to several weaknesses in the decentralized approach of the departmental sustainable development strategies.

The criticism was also supported by the Parliamentarians, several non-governmental organizations (NGOs) and other stakeholders, and in 2007 led to a review of the previous ten years of sustainable development planning in Canada. At this time, it became obvious that a change in the approach to sustainable development was needed. In 2008, as a response to the failure of the previous sustainable development planning, the Parliament developed and passed the Federal Sustainable Development Act (FSDA; the Act). The objective of the Act was *"to provide the legal framework for developing and implementing a Federal Sustainable Development Strategy that will make environmental decision-making more transparent and accountable to Parliament"*. The Act responded to international commitments Canada had made to develop such a strategy, such as at the Earth Summit in Rio de Janeiro (1992) and at the World Summit on Sustainable Development in Johannesburg (2002) ([Environment Canada: Sustainable Development](#)).

Effectively, the Act required the Government of Canada to develop a comprehensive FSDS. Before the FSDS was adopted in Parliament on October 6<sup>th</sup> 2010, it was submitted for **public consultation** for a period of 120 days. The consultation process was undertaken by the [Sustainable Development Office](#) at [Environment Canada](#) and included the participation of Canadian citizens, Parliamentarians in the House and Senate, the Commissioner of the Environment and Sustainable Development as well as the Sustainable Development Advisory Council. This policy is coherent with the efforts of the Government of Canada to involve the Canadians in decision-making processes and to increase the transparency and accountability of the FSDS.

The FSDS will be **updated every three years** to report on the progress of the implementation of sustainable development related policies and to highlight areas where further action will be necessary. *"The development and implementation of the FSDS is a collaborative process across the whole of the Government of Canada that is based on an approach to improve transparency and accountability."* (Environment Canada, 2010, 19).

The first **European Sustainable Development Strategy** was adopted by the European Council in Gothenburg in 2001. The first version was then complemented by an external dimension in 2002 by the European Council in Barcelona, in view of the World Summit on Sustainable Development in Johannesburg in 2002 (Council of the European Union, 2006). The European Council of June 2006 adopted an ambitious and comprehensive **renewed SDS for an enlarged EU**. It builds on the [Gothenburg strategy of 2001](#) and is the result of an extensive review process that started in 2004 ([DG Environment: Sustainable Development](#)).

## 2 The Canadian Federal Sustainable Development Strategy (FSDS)

The FSDS of Canada is mandated by the Federal Sustainable Development Act (FSDA; the Act). The Minister of the Environment is responsible for the FSDS, which was developed as a response to the previous approaches to the implementation of sustainable development, and adopts a whole-of-government approach which involves all levels of government and enables the linking of sustainable development to the Government's general and budgetary planning and reporting processes.

### 2.1 The key elements of the FSDS

The FSDS is focused on **three key elements**:

1. *An integrated, whole-of-government approach of actions and results to achieve environmental sustainability;*
2. *A link between sustainable development planning and reporting and the Government's core expenditure planning and reporting system; and,*
3. *Effective measurement, monitoring and reporting in order to track and report on progress to Canadians (Environment Canada, 2010, vii).*

1. **An integrated, whole-of-government approach of actions and results to achieve environmental sustainability:** The development and implementation of the FSDS is a collaborative process which involves the whole of the Government of Canada. It is based on an effort to increase transparency and accountability of governmental decision-making.
2. **A link between sustainable development planning and reporting and the Government's core expenditure planning and reporting system:** Linking the FSDS to the Expenditure Management System (EMS) ensures that federal decision-makers take into account the environmental consequences of their policies and programs. Moreover, it *"provides a much stronger basis for improving the transparency and accountability of environmental decision-making"* (Environment Canada, 2010, 13).

Under the EMS, the reporting on plans and the tracking of progress is provided through two key documents:

- **The Reports on Plans and Priorities (RPPs)** are submitted annually by departments and *"outlines activities and expenditures for each department and agency. It outlines, over a three year period, an organization's priorities and where it will allocate the resources to address those priorities"* (Environment Canada, 2011, 8).



- **The Departmental Performance Reports (DPRs)** are submitted annually and “provides an overview of the accomplishments achieved by the organization compared to what it proposed in the RPP” (Environment Canada, 2011, 8).
3. **Effective measurement, monitoring and reporting in order to track and report on progress to Canadians:** These improvements will help improve and increase accountability for the progress of the FSDS. For themes 1–3 (climate change, water, nature protection; see more details on page 8) of the FSDS, environmental indicators (provided by the [Canadian Environmental Sustainability Indicators](#) (CESI) and other federal departments, e.g. [Agriculture and Agri-Food Canada](#), [Fisheries and Oceans Canada](#), [Health Canada](#) and others) are used to track progress of sustainable development. For theme 4 (environmental footprint), each department will report on the implementation of the FSDS in their RPPs and DPRs. The environmental indicators are based on a long-term monitoring of programs with more than 15 years of data and provide national coverage over a wide range of issues. Over the next few years, CESI will work on the expansion of the current set of indicators to ensure accurate monitoring of progress of sustainable development.

Canada's environmental policy is generally guided by the **precautionary principle**, which states that “were there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation” (United Nations, 1992). Canada demonstrates its commitment to this principle in the outlined environmental policies of the current FSDS.

#### The EU SDS's Policy Guiding Principles:

- Promotion and protection of fundamental rights:
- Solidarity within and between generations: Open and democratic society:
- Involvement of citizens:
- Involvement of business and social partners:
- Policy coherence and governance:
- Policy integration:
- Use best available knowledge:
- Precautionary principle:
- Make polluters pay: (Council of the European Union, 2006, 5).

The implementation of sustainable development is supposed to have some **positive effects** on the life situation of the citizens of Canada:

- It will support investment in **education and employment**, making Canada a good place for business and industries;
- It will make Canada the best place for **families**, enhancing national safety and security and contributing to the local community;
- It will stand up for **what is right in the world** and support global security, human rights, good health standards, financial market regulation and address climate change on a global level;

- It will **strengthen a united Canada** in changing world, pursuing democratic reforms, improving the immigration and refugee system, and helping the North to realize its vast potential concerning natural resources and the protection of the wildlife (Environment Canada, 2010).

**Conclusion:** many policy principles of the **Canadian FSDS** are comparable with the **EU SDS's** policy principles, even though not all of them are explicitly presented in an overview. In contrast to the EU SDS's policy principles, the Canadian FSDS puts its focus mainly on environmental issues. In the FSDS, environmental issues are supposed to be balanced with economic and social considerations, but the strategy clearly focuses "on environmental sustainability as a first step in integrating environmental concerns with economic and social considerations" (Environment Canada, 2010, vii). The actions taken on the improvement of environmental conditions are supposed to improve in the long-term the overall sustainability in all three pillars of sustainable development.

What is **similar between both strategies** is that they both outline the importance of human rights, involvement of citizens, businesses, and social partners, and the use of the best available knowledge in policy-making as well as the application of the precautionary principle where scientific certainty cannot be given to the full extent. Policy coherence on the various levels of governance is important for both strategies, too. Education and training, as well as research and development are defined by the EU SDS as "*cross-cutting policies contributing to the Knowledge Society*", while in the FSDS they are viewed as an outcome of a successful implementation of the environment-oriented FSDS.

Still, the **strategies differ in other aspects:** The FSDS does not explicitly outline the importance of solidarity within and between generations. However, the idea of conserving natural resources and the overall aspired improvements in various areas that concern human life give a hint that the principle, while not explicitly articulated, is clearly enclosed in the FSDS.

It is noticeable that the FSDS does not mention the urge to establish or maintain an open and democratic society. This might be due to Canada's generally high standards of democracy, in that its existence is not questioned or explicitly outlined. However, the "polluter pays" principle does not appear in the FSDS.

## 2.2 Overview of themes and goals of the FSDS

The **four priority themes** of the FSDS are as follows:

- *"I. Addressing climate change and clean air;*
- *II. Maintaining water quality and availability;*
- *III. Protecting nature; and*
- *IV. Shrinking the environmental footprint – beginning with the government"* (Environment Canada, 2010, vii).

The first three themes are not new to the Canadian Government because they have been the priority to the citizens for many years, but providing a horizontal overview across government is new in Canada.

The fourth theme underlines the whole-of-government approach of the strategy: it lays out goals and targets that will reduce the ecological footprint of its own operations.

*“The FSDS itself does not set new goals and targets, with the exception of those for greening government operations (GGO); rather it makes the outcomes of decision-making more transparent and accountable to Parliamentarians and Canadians”* (Environment Canada, 2011, 4).

The FSDA requires 27 **departments** to prepare their **own departmental strategies** that are coherent with the FSDS and are supposed to contribute to achieving the goals and targets set in the fourth theme: “Shrinking the environmental footprint – beginning with the government” (Environment Canada, 2011). Experiences with departmental sustainable development strategies exist in some EU Member States, most notably in the UK ([mandatory departmental SD Action Plans](#) under the previous Labour Government; [review of departmental business plans](#) in relation to SD in the current Coalition Government) and Germany ([voluntary departmental SD reports](#)).

The **aim of the FSDS** is to set in motion a process that will, in the long term, improve “the way in which environmental, economic, and social issues are considered” (Environment Canada, 2010, vii).

The 4 themes of the NSDS include a total of 8 goals which we outline in the box below:

#### **Theme I: Addressing Climate Change and Air Quality**

**Goal 1:** Climate Change: *Reduce greenhouse gas emission levels to mitigate the severity and unavoidable impacts of climate change.*

**Goal 2:** Air Pollution: *Minimize the threats to air quality so that the air Canadians breathe is clean and supports healthy ecosystems.*

#### **Theme II: Maintaining Water Quality and Availability**

**Goal 3:** Water Quality: *Protect and enhance the quality of water so that it is clean, safe and secure for all Canadians and supports healthy ecosystems.*

**Goal 4:** Water Availability: *Enhance information to ensure that Canadians can manage and use water resources in a manner consistent with the sustainability of the resource.*

#### **Theme III: Protecting Nature**

**Goal 5:** Wildlife Conservation: *Maintain or restore populations of wildlife to healthy levels.*

**Goal 6:** Ecosystem/Habitat Conservation and Protection: *Maintain productive and resilient ecosystems with the capacity to recover and adapt; and protect areas in ways that leave them unimpaired for present and future generations.*

**Goal 7:** Biological Resources: *Sustainable production and consumption of biological resources are within ecosystem limits.*

#### **Theme IV: Shrinking the Environmental Footprint – Beginning with Government**

**Goal 8:** Greening Government Operations: *Minimize the environmental footprint of government operations* (Environment Canada, 2010).

Regarding climate change objectives, which are prominently addressed in the FSDS, it needs to be mentioned that Canada formally pulled out of the Kyoto Protocol on 13 December 2011, one day after an update was agreed upon at the Durban climate change conference. Canada, Japan and Russia said last year that they would not accept new Kyoto commitments, but Canada is the only country to repudiate it altogether. The Canadian environment minister, Peter Kent, said Canada was invoking its legal right to withdraw. Kyoto did not represent the way forward for Canada or the world, as Mr. Kent put it. He said that “the Kyoto protocol does not cover the world’s largest two emitters, the United States and China, and therefore cannot work. It’s now clear that Kyoto is not the path forward to a global solution to climate change. If anything it’s an impediment. [...] Withdrawing allows us to continue to create jobs and growth in Canada.” ([The Guardian, 13 December 2011](#)). Moreover, the withdrawal will save Canada \$14 billion in penalties for not achieving its Kyoto targets. However, Canada is willing to negotiate a new global climate change agreement given that all major emitters will be included.

In comparison, these are the 7 key challenges of the renewed EU SDS:

#### EU SDS's key challenges:

1. **Climate Change and clean energy:** limit climate change and its costs and negative effects to society and the environment;
2. **Sustainable Transport:** ensuring that the EU's transport system meets society's economic, social and environmental needs whilst minimizing the negative impacts on these sectors;
3. **Sustainable consumption and production:** promoting sustainable consumption and production patterns;
4. **Conservation and management of natural resources:** improving management and avoiding overexploitation of natural resources, acknowledging the value of ecosystem services
5. **Public Health:** promoting a good public health on equal conditions and improving protection against health threats;
6. **Social Inclusion, demography and migration:** creating a socially inclusive society, ensuring solidarity within and between generations, securing and increasing the quality of life and the overall well-being;
7. **Global poverty and sustainable development challenges:** promoting sustainable development worldwide, ensuring that the EU's policies are consistent with global SD and its international commitments (Council of the European Union, 2006).

**Conclusion:** When comparing the Canadian FSDS with the EU SDS, a lot of similarities can be found (see Table 1 below). It is, however, noticeable that the Canadian FSDS does not explicitly address migration and global poverty issues.

EU SDS	Canadian FSDS
Climate change, clean energy	Climate change, clean energy, clean air
Sustainable transport	Clean transportation
Sustainable consumption and production	Sustainable consumption and production of

	biological resources, as in fisheries, aquaculture and forest ecosystems
<b>Conservation and management of natural resources</b>	<b>Wildlife Conservation:</b> terrestrial and aquatic wildlife conservation (e.g. species at risk, protection of ecosystems and national parks, ocean areas and marine ecosystems; reducing environmental emergencies)
<b>Public Health</b>	<b>Public Health</b> is improved through actions in the areas of indoor air quality, chemicals management and health-based water guidelines
<b>Social inclusion, demography and migration</b>	Not explicitly mentioned in the strategy; but <i>"strengthening a united Canada in a changing world"</i> is supposed to improve the immigration and refugee systems
<b>Global poverty and sustainable development challenges</b>	Addressing global poverty is not mentioned in the strategy

Table 1

## 2.3 Goals, targets and implementation strategies

The preparation of the first FSDS *"has been guided by best practices and international experience that demonstrate the benefits of a strategic and targeted approach to planning and reporting"* (Environment Canada, 2010, 17). The goals, targets and implementation strategies are presented transparently in the FSDS. They are taken from existing key commitments made by the Government of Canada in policy and planning documents and show the following characteristics:

- The **goals** are based on a long-term view, address important challenges and problems, and reflect national and international priorities and commitments. It is important that they remain attuned to environmental information and flexible in the choice of strategies for achievement.
- The **targets** are supposed to take a medium-term view, meet the SMART criteria (Specific, Measurable, Achievable, Relevant and Time-bound) and the precautionary principle, and remain consistent with the Government of Canada's priorities;
- The **implementation strategies** are also based on a short-term view and should meet the SMART criteria, too.

## 2.4 Jurisdictions involved in the implementation of the FSDS

Several administrative units are involved in the development, implementation and monitoring of the FSDS:

- The [Minister of the Environment](#) is responsible for the development of the FSDS;
- The [Sustainable Development Office](#) (SDO) within Environment Canada is responsible for *“developing and maintaining systems and procedures to monitor progress on the implementation of the FSDS”* (Environment Canada, 2011, 7);
- Within the [Cabinet](#), a Cabinet committee provides oversight of development and implementation of the FSDS, with the [Privy Council Office](#) as the official secretary to the Cabinet;
- The [Commissioner of the Environment and Sustainable Development](#) reviews the draft FSDS and decides whether the described targets and implementation strategies can be assessed;
- [Public Works and Government Services Canada](#) (PWGSC) is assigned to establish targets, implementation strategies and performance measures in collaboration with the federal community. Its task is the implementation of the FSDS's theme four: *“Shrinking the Environmental Footprint – Beginning with Government”*, with each department responsible for its own strategy;
- The [Treasury Board of Canada Secretariat](#) (TBS) *“will assess whether the FSDS can make use of existing reporting tools, such as Canada's Performance Report, to better demonstrate the integration of environmental, economic, and social dimensions of reporting on results to Canadians”* (Environment Canada, 2010, 14)

## 2.5 Contribution of the Government of Canada to Sustainable Development

With the new FSDS, the Government of Canada is making two significant contributions to national sustainable development:

1. *“The FSDS provides a new level of transparency to environmental decision making by providing a complete picture of the federal environmental goals, targets and implementation strategies”* (Environment Canada, 2010: 7); and
2. Environmental considerations are more integrated into federal government decision-making processes through the use of Strategic Environmental Assessment (SEA).

This means that Ministers and Cabinet are committed to support the **application of SEA** in the federal government by ensuring that environmental goals are taken into account when economic and social goals are pursued. In detail, this means that:

- Departments and agencies describe the **impact** of their initiatives on federal environmental goals and targets in their **SEA public statements**;

- Departments and agencies **report on the extent** to which these implemented initiatives have affected or will affect progress toward federal environmental goals and targets.

*"In addition to strengthening the application of SEA, there are other important and innovative ways that the Government of Canada is working to integrate the three pillars of sustainable development"* (Environment Canada, 2010, 8). For example:

- Development of a Northern Strategy in 2009 which integrates the principle of sustainable development in the Northern part of Canada;
- Support of environmental assessment in trade negotiations applied by the Department of Foreign Affairs and International Trade.

## 2.6 Contribution of other levels of government to sustainable development

The collaboration between the Canadian Federal Government and provincial and territorial governments is strongly maintained regarding action upon sustainable development principles. Some **provincial governments** have developed their own sustainable development strategies, e.g. [Manitoba](#) and [Quebec](#).

Moreover, the government supports many sustainable development related activities of **municipal governments**. *"The federal government supports municipal action through the Green Municipal Funds administered by the [Federation of Canadian Municipalities](#) (FCM) and funded by a federal endowment of \$550 million. The Fund provides below-market loans and grants, as well as education and training services to support municipal initiatives that improve air, water and soil quality, and protect the climate"* (Environment Canada, 2010, 10).

In addition, Environment Canada has set up a [website on Action and Learning](#) for **citizens** where vast information on several environmental issues is provided. It is intended to bring the idea of sustainability in everyday life closer to Canadians. The underlying concept is that households account for a big percentage of greenhouse gas emissions, which can be reduced by responsible action, e.g. recycling, conserving energy and water, reducing waste, choosing alternative forms of mobility, and several other practices that promote environmental sustainability.

The **EU SDS** is the main strategy for sustainable development in the European Union, with each Member State having developed its own National Sustainable Development Strategy (NSDS), considering specific circumstances for each single country.

**Conclusion:** Both strategies promote coherence between the main strategy and national, regional and local activities (in the EU SDS) respectively between the main strategy and provincial and municipal activities (in the FSDS) in order to enhance the overall contribution to sustainable development.



### 3 Progress Report of the Federal Sustainable Development Strategy

The [first Progress Report on the FSDS](#) was presented in June 2011 and covers the period from October 2010 (when the strategy was tabled in Parliament) to April 2011. At the time that the report was prepared, departmental reports on plans and priorities (RPPs) had not yet been tabled. The FSDA requires that a Progress Report is presented to each House of Parliament as well as to the Minister of Environment “at least every three years after June 2008 (the date the Act came into force)” (Environment Canada 2011, 5). The first Progress Report focuses on the systems and procedures put in place to implement the 2010 - 2013 FSDS.

The **progress report on the EU SDS** is submitted every two years by the European Commission. It is drawn on a comprehensive set of sustainable development indicators and takes into account the EUROSTAT SD Monitoring Report (which is updated every two years, too). Furthermore, on the basis of the Commission report and contributions of the Council, the December European Council reviews progress and priorities of the strategy every two years as well. Further input and views are prepared by the European Parliament and the European Economic and Social Committee (EESC).

*“This [FSDS] report is a snap-shot of the current state of implementation of the FSDS and outlines how the picture will be presented in the future. Collecting and reporting on the actions in support of the government priorities included in the FSDS will help to inform future actions by identifying areas for improvements. In doing so, as results are gathered, future progress reports will contribute to improved transparency and accountability by communicating government actions on sustainable development”* (Environment Canada, 2011, 15).

The next and second Progress Report will be prepared in fall 2012 and will be more substantive. The current Progress Report uses the management approach to implementing the FSDS – the “Plan, Do, Check, Improve” system as presented in Figure 1 below:



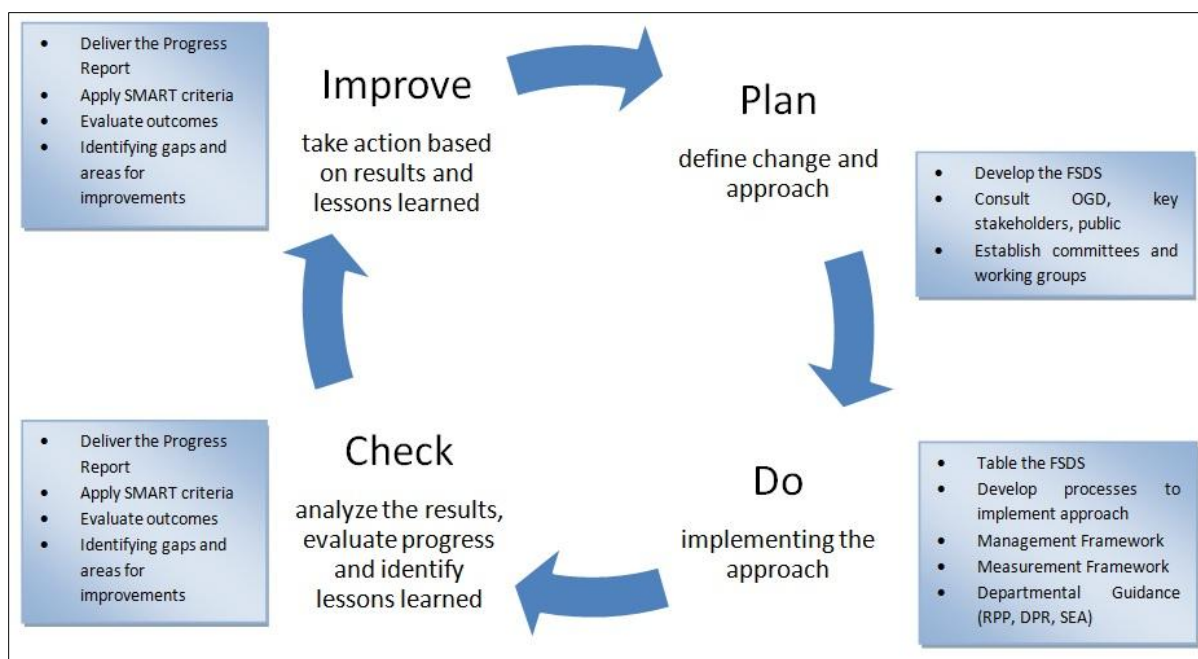


Figure 1 (Environment Canada, 2011, 6)

As outlined in the Progress Report, the **major accomplishments** of the FSDS are:

- “Establishing a **Sustainable Development Office (SDO)**;
- Putting in place a **management framework for the FSDS**;
- Putting in place a way to integrate Departmental Sustainable Development Strategies into the **Expenditure Management System (EMS)** for the first time;
- Developing **greening government operations targets**, implementation strategies, and guidance;
- Revising the guidelines for **strategic environmental assessment** requiring consideration of, and public reporting on, FSDS goals and targets; and,
- Establishing a **performance measurement system** for the FSDS to effectively monitor and report on progress. This includes a suite of environmental indicators and performance measures for Themes I-III, and common performance measures for Theme IV” (Environment Canada, 2011, 6).

Measuring results against goals and targets includes:

- Analyzing FSDS Targets – Are they SMART?
- Measuring Results with Environmental Indicators
- Measuring Results on Greening Government Operations (Environment Canada, 2011, 13)

The establishment of the **Sustainable Development Office (SDO)** was a strong step towards improved management of the FSDS, since the SDO “is responsible for developing and maintaining systems and procedures to monitor progress on the implementation of the FSDS” (Environment Canada, 2011, 7).

#### SMART:

- Specific
- Measurable
- Achievable
- Relevant
- Time-bound

The FSDS **management framework** gives a clear picture of the roles, responsibilities and accountability of all involved departments, committees and stakeholders. It focuses on clear and measurable outcomes and has its own communications strategy and risk management strategy to control and mitigate expectable risks. Last but not least, it makes use of a reporting strategy for the FSDS as well as departmental sustainable development strategies.

Integrating sustainable development planning and reporting within the Government's core **Expenditure Management System** has provided a stronger basis for improving the transparency and accountability of environmental decision-making.

The **greening of government operations** has successfully taken place in Canada. Since the FSDS has been adopted, the Government of Canada has made efforts to enhance greening operations. Many departments and agencies have also made substantial progress in reducing the environmental footprint of their own operations. **Public Works and Government Services Canada (PWGSC)** supports departments and agencies in the implementation of FSDS greening government operations by allocating implementation guidelines and organizing interdepartmental meetings, presentations, workshops, and conference calls. It also helps departments and agencies with planning and reporting regarding the Theme IV targets.

The FSDS brought the Government of Canada a huge step forward by strengthening the **application of SEA**, ensuring that the government's environmental goals are taken into account when social and economic goals are pursued. Federal departments and agencies are supposed to apply FSDS goals and targets in their SEAs and report on their results in Departmental Performance Reports (DPRs). *"It is now explicitly clear that it is the responsibility of the sponsoring minister or ministers to ensure that the environmental implications of the proposed initiative are fully reflected in their policy, plan, or program proposal"* (Environment Canada, 2011, 10). Since the adoption of the FSDS, Environment Canada and the [Canadian Environmental Assessment Agency](#) have assisted several departments and agencies in updating their own SEA guidance documents to reflect the updated Guidelines. *"Moreover, an analytical framework and evidence base to support departments in considering the potential impacts of their proposals on the FSDS goals and targets has been developed"* (Environment Canada, 2011, 10).

**Performance measures** were established to measure progress in implementing the FSDS and are key elements of the **FSDS Logic Model** and **FSDS Performance Management Framework**. *"Performance measures provide fact-based information that will show whether the outcomes described in the FSDS logic model are unfolding as expected and will help in identifying gaps and areas for possible adjustment in how the FSDS is being managed"* (Environment Canada, 2011, 11). Several different methodologies will be used to get information on these measures, as *"web analytics, stakeholder reports and comments, surveys, and reviews of departmental/agency RPPs and DPRs"* (Environment Canada, 2011, 11).

The targets should show the SMART criteria; an initial analysis of the FSDS targets shows that about half of the targets are SMART or are moving toward being SMART.

**Environmental Indicators and Performance Measures** for air, water, and nature have been designed as part of the new approach to monitoring and reporting on results of measures under the FSDS. *“The Commissioner has noted that good information, well-founded science, measurement based-data, and statistics (set out in advance of an initiative being implemented), are necessary to gauge how much progress has been made towards achieving sustainable development goals and targets”* (Environment Canada, 2011, 11). The application of multi-departmental FSDS environmental indicators and performance measurements accessible in one place ensures transparency regarding the process of the implementation of the FSDS. In the future, the SDO will continue to work with scientists and other experts to develop a fuller set of environmental indicators for the FSDS.

### 3.1 Improvements in the FSDS' key elements

The following status in the implementation of the three key elements of the FSDS has been described in the Progress Report:

1. **Key element #1:** an integrated, whole-of-government picture of actions and results to achieve environmental sustainability: *“The FSDS is already being used in a number of ways to reflect Canada's domestic priorities in its international activities. For instance:*

- *The FSDS is contributing to Canada's preparations for Commission on Sustainable Development (CSD) 19 and the UN Conference on Sustainable Development.*
- *The FSDS is being used to inform and strengthen Canada's response to the OECD 2004 Environmental Performance Review of Canada”* (Environment Canada, 2011, 15).

2. **Key element #2:** Linking sustainable development planning and reporting and the Government's core expenditure planning and reporting system: There are no measurable improvements yet.

3. **Key element #3:** Effective measurement, monitoring and reporting: There are no measureable improvements yet.

The second progress report on the 2010 - 2013 FSDS will be published in late 2012 and will be able to give a more complete picture of the progress in implementing the first FSDS. The first progress, however, meets the reporting requirements under the Act and has laid the foundation for future progress reports. In future reports, economic and social considerations related to the FSDS environmental goals and indicators will also be considered.

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# Sustainable investment: options for a contribution to a more sustainable financial sector

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ESDN Case Study N°11



European Sustainable Development Network

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# 1 Introduction

The aim of this case study is to shed light on i) the meaning and current trends of socially responsible investment and its link to sustainable development, ii) potential options for principles of sustainable banking/investment from perspective of investors, iii) funds contributing to a sustainable society/economy, and iv) changes needed in order to stimulate sustainable investment.

The main sources of this document stem from the European Sustainable Investment Forum (EUROSIF - the leading European membership association whose mission is to develop sustainability through European financial markets), the United Nations Principles for Responsible Investment Initiative (PRI Initiative - backed by United Nations Environment Programme Finance Initiative and the UN Global Compact) and the Global Alliance for Banking on Values (GABV).

## 1.1 The financial crisis and sustainable investment

Over the last years, an intense and wide-ranging debate has criticized the international financial system, questioning the role and activities of banks in particular. Critics particularly have raised questions as to how, where, and why financial actors invest. This case study investigates the questions of how (on what principles are decision taken by actors) and where (in which key areas) investment shall be taken in order to further the sustainable development agenda.

When analyzing and looking at investment decisions, usually attention is focused on two parameters: profitability (or measured investment efficiency) and risk. However, in the wake of one of the most devastating financial crises in history, other concepts, such as sustainable or green investment, continue to become important in capital markets. According to recent studies by EUROSIF (2012a) and Novethic (2010), investors perceive investment positively impacting on society and environment as an alternative to philanthropy, a contribution to sustainable development and maximising their beneficiaries' long-term interests. Following this argument, this paper tries to highlight what kind of options exist for investors to practice sustainable investment, and offers a glance on what kind of changes are needed to fundamentally change investor's decisions so that they become oriented more towards sustainable development.

Since the financial market and its manifold actors (i.e. businesses, investors, analysts, bankers, insurers, raters etc) comprise a rather complex structure, the report explicitly explains the role of investors, bankers, and analysts within the field of sustainable investment. However, as pointed out by Schmidheiny et al. (1996), two different overlapping sets of links between sustainable development and the financial markets exist, taking into account all parts of the financial community: (1) issues of accounting, valuation, and liability – accounting for environmental and social costs/benefits; and (2) business and opportunity issues – investing in eco-efficiency, renewable energy, biodiversity etc.

## 1.2 Investigating the meaning of socially responsible investment

Ever since the concept of investment for capital return was conceived, investors have based their investment choices on a variety of criteria, including whether investments harm or benefit society. Investment choices evolve in parallel with societal norms and values, so whereas slavery and child labour may have been commonplace in certain eras of human history, international norms now prohibit such practices. Similarly, as society addresses the causes and effects of climate change, investors increasingly incorporate such considerations into their investment choices (EUROSIF, 2012b).

Many terms, such as the most well-known “socially responsible investment” (SRI) (inter alia known as sustainable, “green”, or ethical investment), have been created<sup>1</sup> to describe investment strategies that seek to consider both profit and societal well-being. **Socially responsible or sustainable investors encourage corporate practices that promote issues such as environmental stewardship, consumer protection, human rights, quality of labour and jobs, as well as sustainable use of natural resources.** These areas of concern are recognized by the sustainable investment industry, and according to UNEP (2012a) can be further categorized into environmental, social, and governance issues (ESG; see Table 1 below).

**Table 1: Key aspects characterizing SRI apportioned to different dimensions (environment, social and governance - ESG) of SD (UNEP, 2012a)**

Environment	Examples of environmental issues include inter alia biodiversity loss, greenhouse gas (GHG) emissions, climate change impacts, renewable energy, energy efficiency, resource depletion, chemical pollution, waste management, depletion of fresh water, ocean acidification, stratospheric ozone depletion, changes in land use, and nitrogen and phosphorus cycles.
Social	Examples of social issues include activities in conflict zones, distribution of fair trade products, health and access to medicine, workplace health safety and quality, HIV/AIDS, labour standards in the supply chain, child labour, slavery, relations with local communities, human capital management, employee relations, diversity, controversial weapons, and freedom of association.
Governance	Examples of governance issues include executive benefits and compensation, bribery and corruption, shareholder rights, business ethics, board diversity, board structure, independent directors, risk management, whistle-blowing schemes, stakeholder dialogue, lobbying and disclosure. This category may also include business strategy issues, both the implications of business strategy for environmental and social issues, and how the strategy is to be implemented.

Figure 1 below provides a better overview on different concepts of investment and their potential overlap. In this regard, it is worth mentioning that the term “socially responsible investment” (SRI) has become the most widespread term in the Anglo-Saxon language area, and may actually be used

<sup>1</sup> Henceforth the term SRI is used in order to remain coherent concerning terminology, and since the term is most commonly applied in literature and by international organisations

interchangeably with the term sustainable investment since it also relates to practices that are central to the concept of sustainable development (i.e. considering economic, social, environmental aspects).

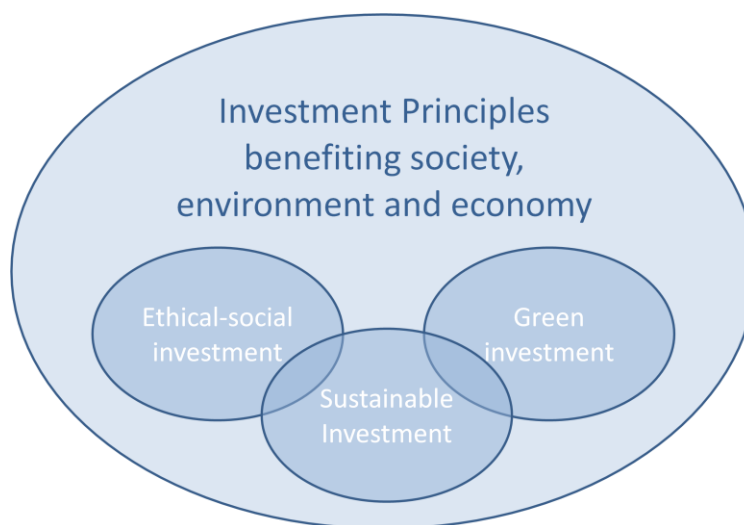


Figure 1: Concepts of investment considering both profit and societal well-being (adapted from Eichel, 2010)

Following this classification and to make it explicit, **sustainable development has a stake in this topic as it tries to balance and integrate the abovementioned areas not only in policy-making and corporate decisions, but also in the finance and investment industry.** Essentially, the United Nations Conference on Sustainable development in 2012 (Rio+20) argues to “...mainstream sustainable development at all levels, integrating economic, social and environmental aspects and recognizing their inter-linkages, so as to achieve sustainable development in all its dimensions.” In this regard, already AGENDA 21 (UN, 1992) recognized the important role finance plays as a vehicle facilitating progress in specific areas in order to achieve sustainable development: The cost to tackle many challenges ahead would involve tremendous financial amounts (e.g. for investment in biodiversity protection: Agenda 21 para. 15.8: “...average total annual cost [1993-2000] of implementing the activities of this chapter to be about \$ 3.5 billion...”). The view that the allocation of capital towards investments to create long-term, sustainable, economic prosperity is necessary to reduce poverty, advance social equality, and ensure environmental protection was reaffirmed at Rio+20.

Similar to the rather complex and ambiguous discussion on the sustainable investment terminology is the classification of different investment strategies actually undertaken on the financial capital market. Bridges Ventures (2012) tries to capture the breadth of these different investment strategies as displayed in figure 2. The term impact investments covers investments made into companies, organizations, and funds with the intention of generating social and environmental impact alongside a financial return (Bridge Ventures, 2012).

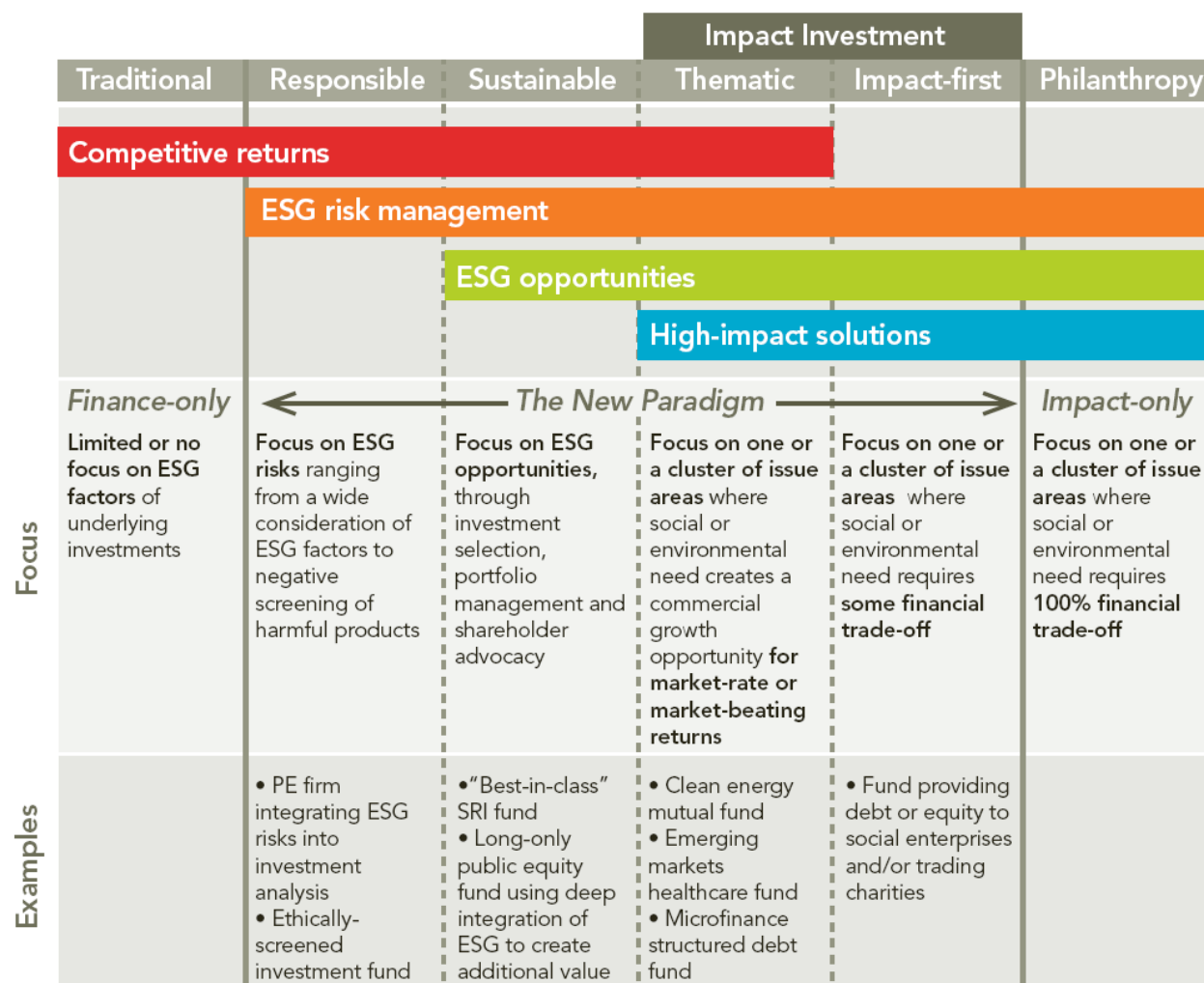


Figure 2: Different investment strategies for SRI (Bridges Ventures, 2012)

### 1.3 Classifying different strategies of socially responsible investment

Today, SRI is an established industry offering a variety of specialised and standardised products to both retail<sup>2</sup> and institutional investors<sup>3</sup>. European Sustainable Investment Forum (EUROSIF, 2012b) offers a comprehensive classification scheme that covers the wide range of SRI and other responsible investment strategies. For example: some investors will seek to avoid certain products, whereas some will evaluate companies against a minimum standard; some are motivated to incorporate **Environmental, Social, and Governance (ESG)** criteria by risk aversion, whereas others seek investments aimed at outperforming the market by capitalising on the demand for sustainable products and solutions. Some investors seek environmental and/or social impact; others look for long-term (even

<sup>2</sup> A retail investor is an individual investor possessing shares of a given security

<sup>3</sup> An institutional investor is an investor such as a bank, insurance company, retirement fund, hedge fund, or mutual fund, that is financially sophisticated and makes large investments

intergenerational) stability of financial returns. **Common to all, besides long-term profit orientation, is the consideration of ESG criteria in the investment process as described above in Table 1.**

EUROSIF developed a framework that identifies **seven distinct SRI processes**, referred to as strategies, displayed in the Table 2 below. In fact, these seven processes represent the strategies used by asset managers that incorporate sustainable development into their investment decisions or take into account ESG criteria in various shapes and forms.

**Table 2: Overview of SRI investment strategies (EUROSIF, 2012b)**

Strategy	Definition
Sustainability Themed Investment	Investment in themes or assets linked to the development of sustainability. Thematic funds focus on specific or multiple issues related to ESG.
Best-in-Class Investment Selection	Approach where leading or best-performing investments within a universe, category, or class are selected or weighted based on ESG criteria.
Norms-based Screening	Screening of investments according to their compliance with international standards and norms
Exclusion of Holdings from Investment Universe	An approach that excludes specific investments or classes of investment from the investible universe, such as companies, sectors, or countries.
Integration of ESG Factors in Financial Analysis	The explicit inclusion by asset managers of ESG risks and opportunities into traditional financial analysis and investment decisions based on a systematic process and appropriate research sources.
Engagement and Voting on Sustainability Matters	Engagement activities and active ownership through voting of shares and engagement with companies on ESG matters. This is a long-term process, seeking to influence behaviour or increase disclosure.
Impact Investment	Impact investments are investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets, and target a range of returns from below market-to-market rate, depending upon the circumstances.

## 1.4 Performance and trends of SRI

According to Global Alliance of Banking Values (GABV, 2012), the concept of sustainable finance and investment continues to grow, especially in the wake of one of the most devastating financial crises in history. This includes responsibility from the corporate side (CSR) as well as the investor side (SRI) of the capital markets.

In this respect, some of the key findings on a **comparison of sustainable banks and Global Systemically Important Financial Institutes (GSIFIs)**<sup>4</sup> by GABV (2012) show that sustainable banks have

<sup>4</sup> A study commissioned by GABV and funded by the Rockefeller Foundation and GABV compared the performance of 17 values-based banks with 29 of the world's largest and most influential banks including Bank of America, JP Morgan, Barclays, Citicorp and Deutsche Bank.

- much higher levels of equity to total assets, with slightly higher levels of BIS 1 capital ratios (especially in recent years) than GSIFIs;
- generally better or comparable Return on Assets and Returns on Equity over the time period covered. The returns of Sustainable Banks are also less volatile than those of GSIFIs;
- significantly higher growth in loans and deposits leading to higher growth in assets and income than GSIFIs.

Most **recent trends** in assets under management, (AuM) according to the European Fund and Asset Management Association (EFAMA, 2012), show that overall European AuM grew from €12.8 trillion in 2009 to €13.8 trillion in 2011, with a Compound Annual Growth Rate (CAGR) of 3.8%. However, during this time frame, the growth in AuM in the area of SRI by far outpaced the growth of the common market of assets (see **Fehler! Verweisquelle konnte nicht gefunden werden.**). However, the growth in each investment strategy is not from SRI assets outperforming the market, nor is it from an inflow of assets from the retail market, but from a conversion of existing investments to one of the listed strategies.

**Table 3: Aggregated market growth (€ billion) of 14 European countries (EUROSIF, 2012b)**

Investment strategy	2009	2011	Growth (CAGR)
Sustainability themed	€ 25,361	€ 48,090	37.7%
Best in Class/Positive Screening	€ 132,956	€ 283,206	45.9%
Norms-based screening	€ 988,756	€ 2,346,308	54.0%
Exclusions	€ 1,749,432	€ 3,829,287	47.9%
Engagement/Voting	€ 1,668,473	€ 1,950,406	8.1%
Integration	€ 2,810,506	€ 3,204,107	6.8%

Among the **most common theme** of investment is **clean tech**, with investors making allocations to, for example, renewable energy, resource and energy efficiency, and waste technology. On the social side, **microfinance** remains popular with PRI signatories as well as other sectors such as global health, education, and social infrastructure. Regarding future trends of investment, while sustainable forestry has traditionally been an important asset class for many asset owners, sustainable agriculture is also gaining increasing attention<sup>5</sup> (UNEP, 2012b).

Concerning **future development trends** in SRI, EUROSIF (2012b) argues that future **national and EU regulation** (e.g. the Europe 2020 Strategy's focus on green and sustainable growth or more specifically the European Social Entrepreneurship Funds Framework) might be **promising and one of the main drivers for SRI - it is currently the second most important factor for growth**. Further growth will be expected due to factors – ranking from most to least important – such as “Demand from institutional investors”, “International initiatives”, “External pressure”, and “Demand from retail investors”.

<sup>5</sup> This trend concerns only signatories of the United Nations-backed Principles for Responsible Investment (PRI)



## 2 Exploring principles of sustainable banking and investment

In order to get a first overview on what it means to transform investment decisions and behaviour into more sustainable and socially responsible ones, two sets of principles are highlighted in this section: The **United Nations-backed Principles for Responsible Investment (PRI)** and the **Global Alliance of Banking Values' Principles of Sustainable Banking**.

The principles of both institutions will be explained below, and their intrinsic principles of and links to sustainable development will be revealed through a comparative analysis. Consequently, this will help us to understand how SD principles are already framed within investment decisions, as well as which SD principles are not yet fully taken into account.

### 2.1 United Nation's Principles for Responsible Investment

The United Nations-backed Principles for Responsible Investment ([PRI](#)) are a set of broad principles that act as guidance for investors in order to better align investments with broader objectives of society. The principles reflect the view that not only investment should contribute to societal goals such as SD, but also that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios, and therefore must be given appropriate consideration by investors if they are to fulfil their fiduciary (or equivalent) duty (UNEP, 2012b). These principles are applied as a voluntary framework by which all investors can incorporate ESG issues into their decision-making and ownership practices.

The six principles are listed as follows:

1. **incorporate ESG** issues into investment analysis and decision-making processes. (e.g. ask investment service providers - such as financial analysts, consultants, brokers, research firms, or rating companies - to integrate ESG factors into evolving research and analysis)
2. act as **active owners** and incorporate ESG issues into our ownership policies and practices. (e.g. exercise voting rights or monitor compliance with voting policy)
3. **appropriate disclosure on ESG issues** by the entities in which we invest. (e.g. develop and disclose an active ownership policy consistent with the Principles)
4. **acceptance and implementation of the Principles** within the investment industry. (e.g. support the development of tools for benchmarking ESG integration)
5. enhance **effectiveness in implementing the Principles**. (e.g. Support/participate in networks and information platforms to share tools, pool resources etc)
6. **report on activities and progress** towards implementing the Principles. (e.g. report on progress and/or achievements relating to the Principles using a 'Comply or Explain' approach)



## 2.2 Principles of sustainable Banking: A view of one of the largest collaborations on SRI

One amongst many who developed sustainable banking principles is the **Global Alliance of Banking Values (GABV)**. In the light of the requirement to secure investment capital outside of the GABV, they put forward this set by means of which sustainable banks could be defined, identified, and monitored. The principles of GABV (see box-text below) should be seen as exemplary rather than widely used, and, therefore, offer a first glance on how sustainable banking principles – i.e. meeting the true needs of society, the real economy, and communities now and for future generations – could look like.

The GABV principles have the following key characteristics and objectives and are explained in more detail further below:

- They are practitioner-based and pro-active; that is, they arise from direct experience of the GABV members rather than seeking to respond to regulatory or other constraints<sup>6</sup>;
- They represent an interconnected set of principles that must be executed in their entirety by a banking institution;
- They seek to cover cultural as well as operational aspects of sustainable financing; and
- They should in time be able to be monitored by means of financial and non-financial metrics established through a multi-stakeholder development process.

### Box-text: GABV's principles of sustainable banking

#### Principle 1: Triple bottom line approach at the heart of the business model

Sustainable banks integrate this approach by focusing simultaneously on people, planet and prosperity. Products and services are designed and developed to meet the needs of people and safeguard the environment; generating reasonable profit is recognized as an essential requirement of sustainable banking but is not a stand-alone objective. Importantly, sustainable banks embrace an intentional approach to triple-bottom-line business - they don't just avoid doing harm, they actively use finance to do good.

#### Principle 2: Grounded in communities, serving the real economy and enabling new business models to meet the needs of both

Sustainable banks serve the communities in which they work. They meet the financial needs of these geographic and sector-based communities by financing sustainable enterprise in productive economies.

#### Principle 3: Long-term relationships with clients and a direct understanding of their economic activities and the risks involved

Sustainable banks establish strong relationships with their clients and are directly involved in understanding and analysing their economic activities and assisting them to become more sustainable

<sup>6</sup> GABV's principles were drafted by a project team and refined in discussions with the GABV Financial Capital and Impact Metrics Advisory Group; the GABV Steering Committee and several market players (including potential investors)

themselves. Proper risk analysis is used at product origination so that indirect risk management tools are neither adopted as a substitute for fundamental analysis nor traded for their own sake.

**Principle 4: Long-term, self-sustaining, and resilient to outside disruptions**

Sustainable banks adopt a long-term perspective to make sure they can maintain their operations and be resilient in the face of external disruptions. At the same time they recognize that no bank, or its clients, is entirely immune to such disruptions.

**Principle 5: Transparent and inclusive governance**

Sustainable banks maintain a high degree of transparency and inclusiveness in governance and reporting. In this context, inclusiveness means an active relationship with a bank's extended stakeholder community, and not only its shareholders or management.

**Principle 6: All of these principles embedded in the culture of the bank.**

Sustainable banks seek to embed these principles in the culture of their institutions so that they are routinely used in decision-making at all levels. Recognizing that the process of embedding these values requires deliberate effort, these banks develop human resources policies that reflect their values-based approach (including innovative incentive and evaluation systems for staff ), and develop stakeholder-oriented practices to encourage sustainable business models. These banks also have specific reporting frameworks to demonstrate their financial and non-financial impact.

## 2.3 Spotting SD in principles for SRI

In order to explicitly show how sustainable banking and investment principles are linked to the concepts of sustainable development, the table below tries to identify implicit SD dimensions and concepts within thereof. The below-mentioned SD concepts provide a rather broad picture of SD and are perceived to be the most relevant ones when attributing to principles of SRI.

**Table 4: Mirroring Sustainable Banking and investment principles with SD concepts and related ones**

General SD concepts	Global Alliance of Banking Values' Principles	UN Principles for responsible investment
Integrative perspective (considering the three dimensions of sustainable development)	Principle 1: Triple bottom line approach at the heart of the business model	1. We will incorporate ESG issues into investment analysis and decision-making processes.
Addressing social equity and societal needs	Principle 2: Grounded in communities, serving the real economy and enabling new business models to meet the needs of both	<i>Indirectly through inclusion of ESG issues</i>
Stakeholder engagement, orientation and participation	Principle 3: Long-term relationships with clients and a direct understanding of their economic activities and the risks involved	2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
long-term perspectives and	Principle 4: Long-term, self-	-

future generations	sustaining, and resilient to outside disruptions	
Good governance (Openness, Participation, Accountability, Effectiveness, Coherence)	Principle 5: Transparent and inclusive governance	3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.  5. We will work together to enhance our effectiveness in implementing the Principles.
Strategy development, reporting, and policy learning	Principle 6: All of these principles embedded in the culture of the bank.	4. We will promote acceptance and implementation of the Principles within the investment industry.  6. We will each report on our activities and progress towards implementing the Principles.

Since the PRI can be applied in various circumstances (i.e. adaptable to a broad variety of investors and their respective kinds of assets), they form a rather unspecific and broad set of guide lines. More specifically, PRI are more cross-cutting in nature and, therefore, more difficult to assign to concrete SD concepts due to their broad framing and their implicit governance character (i.e. incorporating elements such as participation, accountability, and transparency). On the other hand, GABV's principles are targeted and explicit, since they are specifically designed for identifying a single set of actors (sustainable banks) and characterising their role in SRI. **Overall, both set of principles implicitly incorporate some of the most important dimensions of SD, such as the integration of SD dimensions and good governance.**

### 3 Best practice of financial institutions and products in Europe

The financial market covers a myriad of different assets (such as investment funds, shares, bank deposits, pension funds, micro-credits etc) managed by different institutions and actors (e.g. asset managers, pension funds, insurance companies, development finance institutions etc.), for which various kinds of guide lines or frameworks of SRI exist. In this part, we will reflect upon some **best practice examples of assets and institutions in Europe in the area of SRI.**<sup>7</sup>

<sup>7</sup> The best case practices have been taken from reports by EUROSIF and PRI

### 3.1 Obviam - independent investment advisor for impact investing

Obviam is an independent investment advisor that offers a broad range of investors access to impact investing in emerging and frontier markets. Obviam is a fund-of-funds manager: it invests in private equity fund managers operating on the ground in developing countries.

Currently, Obviam's senior partners have invested over US \$400 million in more than 70 funds and 300 underlying small and medium sized enterprises (SMEs) on behalf of the Swiss Confederation since 1999. The Swiss Investment Fund for Emerging Markets (SIFEM; i.e. the Development Finance Institution of the Swiss Confederation, and Obviam's largest fund in management) tends to favour investment in SMEs as it believes this is where it can best support developing countries in terms of job creation, private sector development, and improving economic revenues. In this regard, all of Obviam's investments for SIFEM follow four critical development investment tenets:

- **Subsidiarity:** providing long-term financing in markets where it is scarce.
- **Leverage:** mobilising third-party capital by providing a 'signalling' effect to the market through investments.
- **Additionality:** taking an active approach to investing, Obviam aims to assist private equity funds it invests in (especially new investment teams and first-time funds) to develop and improve according to international best practice.
- **Sustainability:** ensuring investments made are both financially viable and follow ESG best practices.

### 3.2 European Social Entrepreneurship Funds Framework

In December 2011, the European Commission set out a proposal (European Commission, 2011) introducing a new EU-wide fund structure ([European Social Entrepreneurship Fund](#) – EuSEF) to provide support to the market for social businesses by improving the effectiveness of fundraising by investment funds that target these businesses. Essentially, this proposal aims to create a trusted EU label for Social Entrepreneurship funds which would increase confidence in this market and overcome some of the barriers hindering its growth, in particular the uneven distribution of capital available for social investment across Europe.

EuSEFs are pooled funds that invest at least 70% of their capital in qualifying investments. The range of qualifying investments, including equity and debt instruments for instance, is related to eligible "social business" undertakings. These are defined as undertakings whose primary objective is the achievement of a positive social impact, rather than financial gain to shareholders or other stakeholders. They include undertakings that provide social services or goods to vulnerable or marginalized persons, and undertakings that employ a method of production of goods or services that embodies a social objective. An example relating to the first category would be access to housing or healthcare, while an example of the second one would be professional integration for disadvantaged segments of the population.

### 3.3 The Norwegian Government Pension Fund - Global

One of the best practice examples for SRI, and often called the 'Gold standard' in institutional responsible investing, is the Norwegian Government Pension Fund – Global. However, the Norwegian fund is not very different from many other large institutional investors in their responsible investing process - the differentiator is transparency. For many years, the Norwegian Ministry of Finance, the Ethical Council, and the Fund itself have been transparent about their screening process and their expectations of companies, and have been thorough in justifying their decisions. This quality of process and transparency has led many other investors to emulate their decisions. If other investors were equally transparent, not only would beneficiaries be better informed, but other investors could be inspired to follow.

## 4 Changes needed in order to stimulate investment for sustainable development

The reasons for lack of investment in sustainable development, or more specifically for SRI investment, are manifold. An investigation of a series of case studies on SRI (EUROSIF, 2012b) revealed that allocations to SRI often remain small in comparison to investors entire AuM due to the following reasons: While many are planning to increase the size of their investments, they are constrained by issues such as deal size, lack of historical performance data, lack of knowledge about these investment areas, as well as high real or perceived risk levels.

In the following paragraphs we reflect upon potential strategies and changes needed in order to further **spur the future growth of and removing barriers for investment on sustainable development.**

#### **(1) Promoting and further developing innovative and successful products and services with a positive environmental and social impact to attract clients**

According to Weber (2011), two future challenges have to be met in the area of sustainable banking in order to introduce successful products and services contributing to sustainable development: Firstly, capital must be guaranteed to flow into projects or businesses that have a positive impact on society, the environment and SD; Secondly, financial mechanisms of products must be designed to meet the goals of sustainable banks (i.e. to make these products sufficiently profitable to be able to sustain and increase their outreach and impact). In this context, Weber (2011) concludes that the further development and widespread application of micro-finance products (e.g. small loans not relying on typical mechanisms of lending, collateral, and credit history but rather on mutual guarantees and the willingness of borrowers to be able to provide for their own costs of living) and SRI funds (see for example the EuSEF best practice case) are a major step for the growth of investment into sustainable development.

## **(2) Applying robust reporting and assessment is key for enhancing the credibility of sustainable investment**

Certainly one way to stimulate sustainable investment in the banking sector, and investment in general, is to further develop approaches to measuring impacts of investment (financial as well as non-financial ones), consequently leading to more informed stakeholders and clients. In terms of sustainable investment, the overall goal is to inform clients and investors about the impact of the institutions products and services on society and the environment.

According to a recent study by the Global Alliance for Banking on Values(2011), there is a lack of frameworks specifically available for sustainable banks to measure and report their impact in a meaningful and relevant way. Therefore, further guidance<sup>8</sup> for developing a common framework for quantitative and qualitative reporting would be a supportive step, and essential given the limited resources available to develop reporting by smaller banks. EUROSIF (2012b) argued that as investors get to know these investment areas and their associated impacts better, many have found that the risks associated with these investments may not be as high as they were initially perceived to be, and that these investments can indeed generate healthy financial returns (see for example the Obviam and the Norwegian Pension Fund – Global best practice cases).

## **(3) Putting in place regulations in order to remove investment barriers to small-scale sustainable enterprises**

Concerning SRI, however, the issue of risk plays a crucial role: as most of the enterprises that have a positive impact on society and the environment are smaller innovative firms and, therefore, not traded on stock exchanges, risk associated with these enterprises is often higher than for bigger enterprises. Furthermore, retail investment products are only allowed to invest in equities that meet certain regulatory standards for reporting financial issues, for which smaller enterprises do not have the capacity. In order to balance both the positive societal and environmental impacts, and the financial risk and return, further cooperation with regulatory bodies could prove successful (Weber, 2011). In this regard, EUROSIF (2012b) postulates that future national and EU legislation (i.e. the Europe 2020 Strategy's focus on green and sustainable growth) might be promising and one of the main drivers for SRI.

One best practice example specifically designed to overcome barriers for the investment in sustainable SMEs is the creation of specialised funds such as the European Social Entrepreneurship Funds Framework and the Swiss Investment Fund for Emerging Markets. Moreover, as the examples motioned below indicate, some European Member States are trying to put in place a legal framework to spur growth in SRI.

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<sup>8</sup> Recent initiatives are undertaken by [Global Impact Investors Network's Impact Reporting and Investment Standards](#) (GIIN IRIS), [European SRI Transparency Code](#) by EUROSIF and ongoing academic work by [BRAC Bank](#)

In the case of **Austria and France**, SRI practices and funds are governed by a legal framework of certification of funds in order to facilitate progress towards transparency. In **Germany**, for example, legal regulations basically consist of disclosure requirements. Such legal regulations include the obligation to report on ethical, social, and ecological criteria taken into account in the use of investments in saving plans. These were adopted in 2001 for pension funds (*Pensionsfonds*) and extended to pension institutions (*Pensionskassen*), as well as direct insurance (*Direktversicherer*) in 2005. The regulations apply to certified products and a broad range of occupational pension schemes (EUROSIF, 2012b).

Regarding accounting for positive societal and environmental impacts of companies, national governments can set certain **economic incentive structures or regulations** in order to spur investment in sustainable development oriented issues. One example in the area of renewable energy, for example, is so-called feed-in tariffs (enacted for example by the German government through the Renewable Energies Act in 2000), which account for the additional costs of generation compared to conventional energy sources. This policy mechanism allows for acceleration in the investment on renewable energy technologies.



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# Barriers and opportunities for taking a long-term perspective in the financial market

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## 1 Introduction

The overall aim of this case study is to stress the importance of long-term perspectives (as a principle of sustainable development) in financial markets, and to try to identify barriers thereof and opportunities to overcome these barriers. Thus, the study highlights principles related to long-term thinking within sustainable development and, furthermore, explains the rationale of short-term oriented thinking by actors in financial markets.

This case study mainly derives its ideas about financial markets and short-term perspectives from a publication<sup>1</sup> by the Forum for the Future (F4F) and the Friends Provident Foundation in 2011, which identifies the barriers to long-term thinking and presents practical ways that these can be overcome.

## 2 Explaining different time perspectives: Sustainable development and financial markets

When considering the logic of time horizons understood by today's financial capital markets within the topic of sustainable development, two contradictory views clash together. Some key assumptions on sustainable development and financial capital markets outlined by Schmidheiny & Zorraquin (1996) illustrate the deep changes that have to be made so that financial markets encourage rather than discourage sustainable development:

<i>Sustainable development requires investments with long payback</i>	VS.	<i>Financial markets seek short-term payback</i>
<i>Efforts towards sustainable development (e.g. eco-efficiency) by companies often reduce present earnings in favour of future potentials</i>	VS.	<i>Financial markets favour companies with high present earnings over those with future potentials</i>
<i>Sustainable development is concerned with the importance of the future</i>	VS.	<i>Financial markets discount the future routinely and heavily</i>
<i>Accounting and reporting does not adequately convey potential environmental risks and opportunities</i>	VS.	<i>Financial markets are compelled to make decisions based on biased information</i>

<sup>1</sup> [Overcoming the Barriers to Long-term Thinking in Financial Markets](#)

## 2.1 Taking a long-term perspective in sustainable development

From the perspective of sustainable development, two related or underlying concepts or principles receive attention when it comes to considering long-term perspectives: inter-generational equity and the precautionary principle. Instead of focussing on various interpretations that try to embrace these concepts in a holistic and condensed way, we try to elicit the different assumptions and principles standing behind it, which form an implicit part of many international policy declarations, plans, and strategies of SD. This overview serves as a basis for understanding the different time horizons taken into account in financial markets, as well as the concept of sustainable development, respectively. This part will enable us to find a common ground of argumentation, and identify levers for introducing long-term thinking into financial markets.

### (1) Inter-generational equity

Being an important part of the equity principle (next to intra-generational equity), inter-generational equity is a central principle of sustainable development. Inter-generational equity refers to the long term or futurity aspect of sustainable development, as SD not only aims to meet present human needs and aspirations, but also includes the right of future generations to meet their needs and aspirations (Waas et al., 2011). This perspective on needs and long-term development is captured by one of the most well-known definitions, the [Brundtland report](#), which defines sustainable development as “development, that meets the needs of the present without compromising the ability of future generations to meet their own needs” and clarifies “two key concepts: the concept of ‘needs’, in particular the essential needs of the world's poor, to which overriding priority should be given; and the idea of limitations imposed by the state of technology and social organization on the environment's ability to meet present and future needs” (WCED, 1987). The concept of inter-generational equity was reaffirmed by the Rio declaration in 1992 - one of the most influential political documents for sustainable development - stating that “[t]he right to development must be fulfilled so as to equitably meet developmental and environmental needs of present and future generations” ([Rio declaration](#), principle 3).

First of all, from these definitions we can delineate that the **development process** has to be sustainable – lasting or **continuing for a very long time or even indefinitely**. Secondly, inter-generational equity refers to the **fairness of distribution of resources and risks between the current and future generations**. Thirdly, considering the latter the principle implies that **development remains within biophysical limits** (i.e. carrying capacity) of the environment in order to fulfil needs of present as well as future generations. Essentially, this relates to another principle underlying the concept of SD: the precautionary principle.

### (2) Precautionary principle

The precautionary principle, very much linked to the time perspective of sustainable development, is best captured in Principle 15 of [Rio Declaration](#): “In order to protect the environment, the precautionary approach shall be widely applied by States according to their capabilities. Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for

postponing cost-effective measures to prevent environmental degradation.” This principle is based on the idea that uncertainty (e.g. with regard to any environmental problems such as biodiversity loss which has biological, ecological as well as economic implications) should be treated with a measure of safeguard – in fact the precautionary principle reflects a “better safe than sorry” principle, “risk averse” or “no regrets” decision-making (Rao, 2000).

To reflect back on the principle of inter-generational equity, the application of this principle safeguards bio-geophysical sustainability against the likelihood of future occurrence of adverse impacts (i.e. taking a long-term perspective on the preservation of biological and geophysical resources; see Holdren et al., 1995) for the benefit of human well-being of current as well as future generations.

**In a nutshell, for justifying long-term time perspectives within the concept of sustainable development, these two principles (inter-generational equity and the precautionary principle) form the backbone thereof.** The relevance for and implications on the financial system are discussed in the following part of this paper.

## 2.2 The financial system and short-termism

The following paragraphs elucidate why short-term and profit-oriented thinking in financial markets is problematic for the financial market itself as well as for the economy, the environment, and society as a whole. Furthermore, the chapter highlights some of the most important factors as to why short-termism is a persistent factor in the system, and explains consequences thereof.

### Short-term versus long-term: the role of investment

In today’s financial markets, the balance of investment as a whole has moved too far towards short-termism, in the sense that strategies focus (i) on short-term decision-making behaviour of investors for maximising short-term returns (Forum for the Future, 2011) and (ii) on the allocation of investment to financial products or companies that represent short term interests. Taken together, both aspects of short-termism (i.e. investor behaviour and where capital is invested) are underestimating or ignoring the systemic risks, wider impacts, or irreversible consequences of their behaviour.

On the other end of the scale, as described by Emerson & Little (2005), conservative or long-term investment considers potential financial performance while assessing exposure for contingent risks (represented in part by these environmental and social liabilities) that could have a negative effect upon future financial returns: In this sense, **sustainable, long-term investing behaviour is both a risk-management strategy and a strategy that positions the investor to exploit emerging opportunities within the market** (i.e. it is an investment practice that is simultaneously both offensive and defensive).

Lydenberg (2009) argues that a rather clear-cut and comprehensive definition of long-term investment should address the following issues:



- the benefits of holding stocks for long periods of time;
- the incorporation of environmental, social and governance (ESG) factors into investing; and
- the willingness to add value to investments.

### Taking into account the consequences of short-term thinking

According to Lydenberg (2007), there is a widespread debate within the financial and business community - including the CFA Institute, the Business Roundtable, the Conference Board, the United Nations, the World Economic Forum, and the Aspen Institute - on the issue of extolling the virtues of long-term investing, and condemning the short-termism in today's financial system. In this regard, short-termism is claimed to have a number of detrimental effects on the financial market itself, the real economy, as well as environment and society overall. Among the dangers for financial as well as corporate communities are (Tonello, 2006):

- At the macro-economic level: short-term visions cause **market volatility and the instability** of financial institutions.
- At the micro-economic level: **short-term investment strategies drive short-term thinking in business**
  - undermining management continuity and exposing a public company to the risk of losing sight of its strategic business model, **compromising its competitiveness**.
  - pressure to meet short-term numbers may induce senior managers to **externalize a number of business costs** (i.e., the cost of a state-of-the-art pollution system), often to the **detriment of the environment and future generations**.

One of the main reasons for short-termism to persist as a stable factor in the system (as highlighted by the box-text below), is that while investors can maximise financial return and their actions may have wider impacts on individual companies and the system as a whole, they may not directly be exposed to the consequences thereof.

***Box-text: Examples of the consequences of short-termism on the financial market (adapted from Forum for the future, 2011)***

- **Investors in fossil fuel companies** can gain attractive short-term returns from high oil prices. However, carbon emissions will have an impact on the long-term health of the economy as well as the environment, and the value of investors' portfolios could suffer unless they shift out of these carbon-intensive companies and into alternatives in a managed way.
- In the run-up to the financial crisis, many financial institutions recognised that there were **risks in the complex financial products** they were selling, but they were competing with peers to deliver superior short-term returns, and underestimated or dismissed the longer-term impacts.
- **Private investment in unsustainable 'drag' fishing technology** drove the cod population in Newfoundland, Canada to near-extinction in the 1990s and resulted in permanent damage to local communities with the loss of 40,000 jobs. A longer-term perspective would have yielded greater

returns for more investors over a longer period of time, and would have avoided these catastrophic ecosystem and community impacts.

## 2.3 What are the barriers to overcome short-term thinking?

The reasons for short-term thinking and the barriers to overcome them across the financial system are manifold and systemic. In the following paragraphs we describe some fundamental structural characteristics, actors, and their behaviour and decisions taken that contribute to the persistence of short-term thinking within the financial system. As described by the Forum of the Future (see Box-text below), these barriers can be apportioned to different fields of actions. These include:

- inherent system structures of the financial system (related to behaviour and decision-making)
- companies
- shareholder

### Box-text: barriers to overcome short-term thinking (adapted from Forum for the future, 2011)

#### Inherent system structures of the financial system

- **Legal barriers:** Investors and trustees can perceive fiduciary duty (fiduciary obligation is about ensuring that those entrusted act on behalf of others do so reasonably and responsibly, and do not abuse their position for their own ends; FairPensions, 2011) as a legal barrier to taking account of sustainability and long-term issues in decision-making. In this sense, the primary fiduciary duty when taking investment decisions is perceived to be maximising returns rather than generating real and lasting value over the long term.
- **Problems of agency:** Agency problems are commonly defined as ‘conflicts of interest among stockholders, bondholders and managers’. A number of identified potential agency problems in the investment chain, particularly in relation to stewardship for institutional investors (Wong, 2010) are listed below.
  - separation of ownership from responsibility: The lengthy share ownership chain has short-term incentives at each link, resulting in overwhelmingly short-term behaviour and reducing the connection between asset owner and asset manager;
  - portfolio diversification: Institutional investors are increasingly taking small stakes in a huge range of companies across the world. While this approach helps investors to benefit from diversified risk across the portfolio, it can reduce their level of engagement with boards of directors and therefore their understanding of specific company drivers;
  - inadequate performance metrics: based on short-term relative performance.
- **culture of stewardship:** There has been a distinct cultural change in the perception of share ownership, in the sense that a change in mindset may have shifted the culture away from stewardship of shares to a more speculation-based approach.
- **Performance measurement:** Based on Lee (2008) and Sheng (2011), recent events in the banking industry showed that incentive pay for traders facilitates short term speculation results at high risk. Furthermore, equally important is the lack of incentive structures based on

performance measurement of human capital, social capital, quality, and increased intellectual capital.

#### Companies (i.e. associated boards of directors)

- **Short-term assessment of company performance:** Currently a company's performance, when taken into account by potential investors, is assessed on the basis of quarterly returns. Moreover, the level of communication of corporate long-term strategies and its relation to sustainable development is insufficient.
- **Difficult to predict long-term drivers of value**
- **Problems to account for and measure natural and social capital**

#### Shareholders

- **Short-term trading:** Investors can hold shares for a short time and make short-term trading gains (Haldane, 2010), rather than sharing in the value added over time by a company pursuing a long-term sustainable growth strategy.
- **Investor disclosures:** Some investors are able to influence decision-making without being required to disclose the existence or nature of their positions or their plans.

### 3 A framework of incentives to introduce a long-term thinking

In order to facilitate a fundamental change in the way institutions and actors on the financial market take into account long-term perspectives in their investment decisions, several recommendations are proposed.<sup>2</sup> These recommendations are not only targeted on actors undertaking investment decisions, but rather try to engage with a broader set of actors directly or indirectly involved and affected by investments, such as companies and fiduciaries. Besides incentives directed towards actors' behaviour and decisions, some reference is also given to the different investment types necessary to steer long-term thinking.

The examples below provide an overview of intervention measures open to both private and public actors' initiatives.

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<sup>2</sup> This part of the paper has been greatly inspired by and mainly draws on the publication by the Forum for the Future

### 3.1 Targeting companies for facilitating long-term thinking in the financial market

Certainly one way to stimulate long-term investment strategies and limit short-term decision making by actors on the financial market (legal or voluntary) is to **change the way companies interact with the financial market**. Consequently, this point of intervention aims at the following issues:

#### Corporate performance reporting

The most crucial aspects of corporate performance reporting are: i) how companies inform potential investors about their performance, ii) what is the main focus of their reporting and how comprehensive is it, and iii) what are the means and capabilities of companies to engage in performance reporting. The following activities support implementation corporate performance reporting:

- sector-wide capacity building on measuring and communicating long-term success;
- integrating environmental, social, and governance (ESG) issues within financial reporting;
- developing new valuation techniques for a company's use of natural and social capital;
- using scenarios or accounting approaches to show that a proposed strategy is resilient against possible future developments.

#### Communication and understanding between companies and asset managers

As a consequence of better reporting to the financial markets' actors, companies as well as asset managers have to engage in a dialogue with the mutual understanding that this additional information is of real advantage for asset managers. In general, the understanding needs to change in order to recognize that long-term focus generates outperformance by reducing the volatility of portfolios and reducing transaction costs. Some examples include inter alia:

- evidence where poor ESG analysis has resulted in portfolio loss that could have been avoided;
- high-profile long-term investment strategies that have delivered strong performance;
- data and case studies of how transaction costs erode the value of portfolios.

### 3.2 Changing asset managers decision-making practices

This part explains the incentive structures required to change asset managers' decision towards long-term value creation. It is of primary importance to change perceived obligations of fiduciary duty, in terms of only maximizing return of investment towards integrating long-term ESG factors. Unpicking the culture and incentives behind short-termism would support initiatives (such as UN PRI) that facilitate the fiduciary duty in the context of integrating ESG factors. Such activities include:

- providing a detailed analysis on specific incentives at each stage of the value chain – from people as individual investors, to brokers and exchanges, to fund managers and investment consultants. This would lead to a better understanding as to where incentives are and are not

aligned with generating real value for investors, and furthermore, it would highlight the extent to which transaction costs and fees erode financial returns;

- developing professional training and continuing professional development courses that promote greater understanding about why the long term matters.

Equally important to understanding incentives for short-termism is the reform and application of performance metrics and the criteria used for remuneration decisions including inter alia:

- shifting the balance away from short-term measures towards longer-term metrics;
- linking a portion of an asset manager's fees to the quality of stewardship activities;
- a transparent and independent process for assessing the quality of stewardship activities by asset managers.

### 3.3 European Commission and national governments

Actions taken on the political level by national governments or the European Commission can constitute an enabling factor for long-term investment in the financial market. One of the most influential and crucial interventions by governments are the introduction of mandatory procedures by actors on the financial market. These include inter alia:

- mandating reporting by asset managers on their stewardship activities;
- setting requirements for investors to publicly disclose their voting record, and for pension fund trustees to report to beneficiaries on how their ownership rights have been exercised;
- rules to mandate disclosure by all fund managers of how they have assessed ESG issues (see Box-text below);
- tax breaks for companies that align their activities with a long-term strategy for transition to a sustainable economy;
- tax advantages on pension contributions, dependent on whether the pension fund portfolio has been managed in line with effective management of long-term issues.

#### **Box-text: A proposal for European legislation on disclosure of investment products**

On 3 July 2012 the Commission adopted a [proposal for a regulation for a new Key Information Document \(KID\)](#) to be produced by investment product manufacturers and provided to retail customers when they are considering buying investment products. The European Commission put forward this proposal to offset asymmetries of information about investment products exist between retail investors and those designing such products. By improving the transparency in the investment market, retail investors can avoid consequences of taking unexpected risks and facing consequent losses.

In this regard, the possibility for including retail investment disclosure on environmental, social and governance (ESG) issues in the investment process, as a natural complement to extra-financial disclosure by companies, would be an important step towards long-term performance and, moreover, growth in SRI.

### **3.4 Analysts and independent assessment institutions**

Analysis and independent assessment institutions are focal points in financial markets since they guide asset managers and owners in their behaviour and investment decisions. The following activities target this group of actors:

- Providing support for an independent process (UN PRI) assessing the quality of asset manager ESG analysis. Essentially, this includes how well or poorly individual investment managers have assessed and managed ESG within their portfolios
- Focussing on long-term issues of corporate performance

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# The Millennium Development Goals (MDGs) and the Post-2015 Debate

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ESDN Case Study N°13



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# 1 Introduction

The Millennium Assembly of the United Nations was held from the 6-8 September 2000 and decided upon the [Millennium Declaration](#) which emphasized the need for a global engagement towards developing countries. The Millennium Declaration is a very comprehensive document, from which paragraphs 19 and 20 have been resumed to its general goals which are summarized within the [Millennium Development Goals](#) (MDGs). The MDGs consist of 8 main goals (see Figure 1), 21 targets and 43 indicators (see Annex 1). The overall aim was to raise financial means for development after the need for action was defined due to the ‘lost development decade’ of the 1980s. The concept for the MDGs was in principle developed during the 1990s.

The Millennium Declaration is dealing with issues that are far broader than the final MDGs. It comprises “environmental pollution, global warming, child labor, human rights violations, the deterioration of social standards like job security, and the fight against corruption” (R. Bardy et al. 2012:268-269). This is a strength of the MDGs as they comprise global goals with a need to achieve them on a global level.



Figure 1: MDG main goals

Initially, the main aim of the MDGs was to address the needs of the poorest of the poor, which by definition of the UNDP from a country perspective are LDCs ([Least Developed Countries](#)), LLDCs ([Land-locked developing countries](#)) and SIDCs ([small island developing countries](#)). “The MDGs were meant to broaden the development narrative beyond the narrow growth paradigm” (Vandemoortele 2011:13) which was initially one of the most promising ways to achieve development but, as it turned out, has not proven to be true for all levels of society.

Although the MDGs are not fully fulfilled as some countries are still lagging behind, like Sub-Saharan Africa (find more on the [MDG Report 2012](#)), one can highlight that they have an incontestable strength. As Vandemoortle (2011:16) argued, “the MDGs have galvanised political commitment as never before”. As they were narrowed down to eight goals, the MDGs were a useful tool for orientation. One major advantage of the MDGs, when comparing them to other declarations, is their simplicity. It can be discussed, of course, if they were unconditionally successful and provided the expected and promised results, but overall they managed to stress the

importance for the need to take action in development issues and its most noteworthy issues, like poverty reduction, and they spurred several campaigns.

The MDGs will expire in September 2015 – so what comes next? There has already been an intensive discussion on a post-2015 framework and the Sustainable Development Goals (SDGs), which were initiated by the Rio+20 Conference in June 2012. The aim of this case study is to outline the current process, provide an overview of potential future developments, and summarize the most important aspects of the process until now.

## 2 Post-2015 Framework and SDGs

At present, there are two approaches for what should replace the MDGs after 2015: on the one hand, a discussion on a post-2015 framework and, on the other hand, a discussion on the development of Sustainable Development Goals (SDGs). As part of the [Rio+20 Summit](#), which took place in June 2012, the participants agreed on the SDGs to succeed the MDGs. The discussion on the SDGs is led by the '*UN System Task Team on the post-2015 UN Development Agenda*' and the '*United Nations Development Programme*' (UNDP). The '*Economic and Social Council (ECOSOC)*' is a principal body for policy review, policy dialogue and recommendations on issues of economic and social development and for the follow-up to the MDGs (UN 2012:1; ad 82). A 30-member [intergovernmental Open Working Group](#) (OWG) of the General Assembly was given the task to prepare a proposal on the SDGs. Moreover, UN Secretary-General Ban Ki-moon announced the 27 members of a High-level Panel that will advise on the global development framework beyond 2015, co-chaired by President Susilo Bambang Yudhoyono of Indonesia, President Ellen Johnson Sirleaf of Liberia, and Prime Minister David Cameron of the United Kingdom and which includes representatives from civil society, the private sector and governments. The Panel will submit a report containing recommendations to the Secretary-General in May 2013.<sup>1</sup>

Overall, there is a clear understanding that those two approaches should be merged in order to establish a strong framework for the time post-2015 and to not have two separate tools which would weaken the general debate on development issues. Three options were proposed to work towards in the post-2015 debate: (i) retain the MDGs with some minor changes (MDG1.1); (ii) redesign the architecture and redefine their contents (MDG2.0); or (iii) develop a completely different framework (Vandemoortele 2012:33).

For the *European level*, the EU launched a [public consultation](#) from June to September 2012 on the post-2015 debate. In total, 119 organisations and individuals contributed, consisting of 80

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<sup>1</sup> <http://www.un.org/sg/management/hlppost2015.shtml>; 23.02.2013

NGOs, 9 research institutes, 4 private sector associations, 2 foundations, 2 trade unions, 2 professional organisations, 1 religious authority, 4 local and regional authorities, 1 governmental agency, and 1 national parliament, as well as 4 international organisations and 9 individuals. (EU EDF 2012:43). The questionnaire of the public consultation can be found in Annex 2 of this case study.

On the *international level*, the UN Secretary-General's initial input to the Open Working Group on Sustainable Development Goals for Rio+20 emphasized several main areas of action. The topics that were regarded as most important for a post-2015 framework were food security & sustainable agriculture, water and sanitation, energy, education, poverty eradication and health. Please see Figure 2 below for an overview of the results of a questionnaire from UN Member States on SDG priority areas.

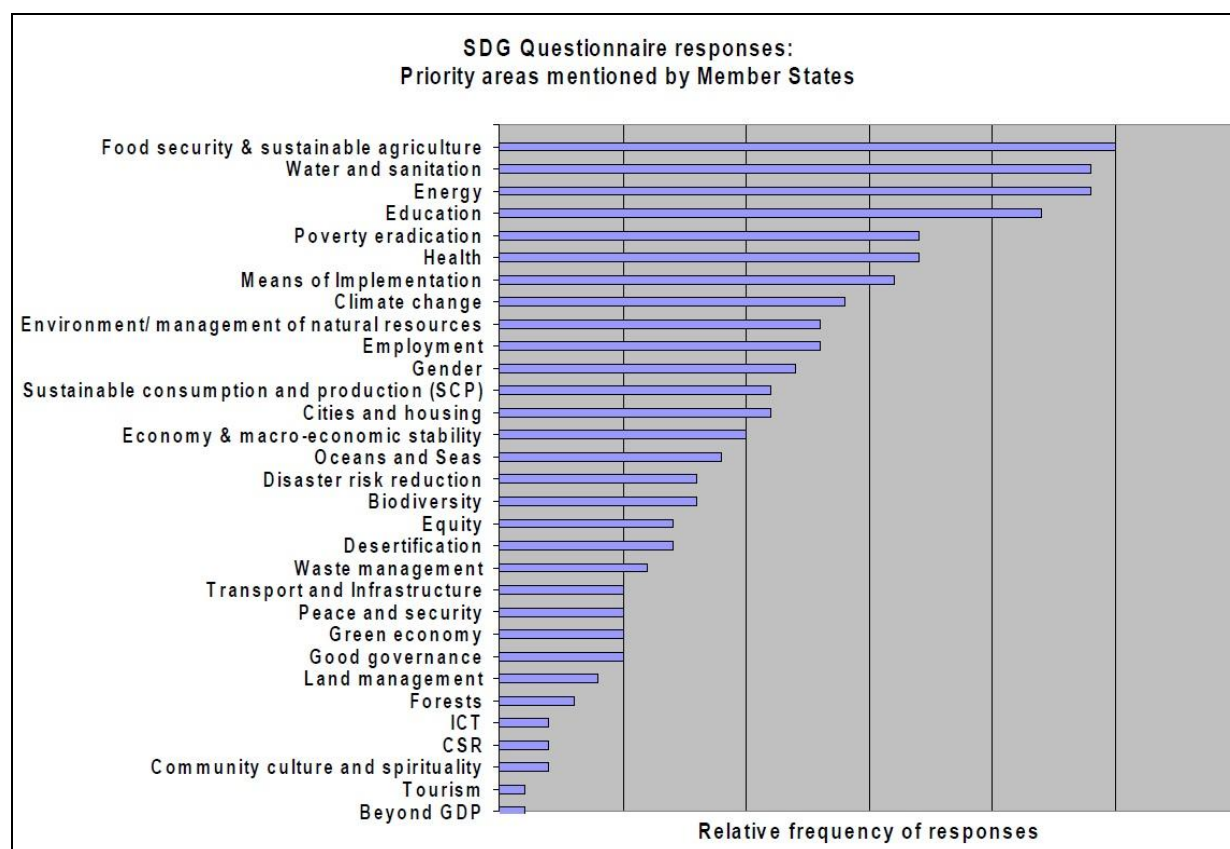


Fig. 2: Secretary-General's Initial Input to the Open Working Group on Sustainable Development Goals; 2012:8

## 2.1 Important aspects for the post-2015 period

In order to improve efficiency and address the right fields for action, several statements have already been made on what should be taken into account when re-designing MDGs/designing



SDGs. The most important and most frequently mentioned areas by the international community (UN), on the European level, and by various stakeholder experts are the following:

*Country specific approaches:* In order to have a proper discussion on how the moving target of MDGs should be changed, one has to bear in mind one major challenge: the goals are valid for every developing country, although problems within developing countries are not the same: “(...) countries have different development starting points, different economies, different capacities, different geography and different problems” (Clarke, Feeny 2011:513). This should be taken into account, especially when measuring and comparing improvements.

*Stronger focus on human rights:* In the Millennium Declaration, human rights were mentioned separately, and the MDGs did not take them up as an individual goal. For post-2015, the need to formulate new and existing goals in the language of human rights was stressed several times. It is important for the post-2015 debate to have a further discussion and inclusion of “human rights, equality and sustainability” orientated towards “inclusive social development, environmental sustainability, inclusive economic development, and peace and security” (UNSG 2012:22).

*'Stronger voice for the south':* A tenor is that developing countries need a stronger voice in the post-2015 debate. The co-architect of the MDGs, Jan Vandemoortele, emphasizes the need for developing countries to have a strong voice, also in the design of the post-2015 dialogue: “The process must be led by the stakeholders from developing countries; not by those from donor countries.” (Vandemoortele, Delamonica 2009:60)

*Timeline:* One critical aspect will be whether the decision upon new goals will be taken towards short or long-term goals: “Whereas most dimensions of human development do not change significantly over the short-term, long-term targets suffer from weak political accountability, because their deadline will not occur on the watch of the current governments.” (Vandemoortele, Delamonica 2010:63) The current discussion is about short-term and long-term goals. The time horizon for the long-term goals will be “from 2015 to anywhere between 2030 and 2050” (UNSG 2012:37). This would not mean that the current targets are out of date. Just shifting the targets is not useful as the literature states: “The worst option would be to simply keep the same MDGs and set new targets with a new timeline.” (Vandemoortele, Delamonica 2010:60)

*Avoiding similar goals:* Concerning the discussion on the content of the goals, there is one major issue of summarizing similar goals and, therefore, creating space for new ones: The health-related MDGs “could be collapsed into one overall health goal, thereby making space for the inclusion of other areas of concern” (Vandemoortele, Delamonica 2010:63). Vandemoortle stresses the Millennium Declaration as a very important document, but for the



post-2015 debate, it is not the sole basis, as the world has undergone severe changes due to the crises influencing not only financial resources, but also the changes of economic power and the shift of developing countries towards emerging markets. Nevertheless, Vandermoortle argues that the Millennium Declaration should serve as a basis for the post-2015 debate and the SDGs.

*Structural causes:* Simplicity, as in the MDGs, has the disadvantage that not all aspects of human development can be taken into account. Therefore, complex topics like poverty cannot be measured fully satisfying and giving clear results. Only stating that poverty is a problem does not reveal its structural causes and if they are not properly understood, it cannot be strategically eradicated. Therefore, for the post-2015 period it is proposed that these aspects should get more attention: “By focusing essentially on social objectives and basic needs (such as health, education, water etc.), the MDG framework didn't give enough consideration to the underlying reasons for, and main drivers of poverty.” (EU EDF 2012:17)

*Pro-Poor Growth:* Growth has not always provoked what it was expected to do. Trickle down effects sometimes were low, especially for marginalized groups. Nevertheless, growth and inclusive business are necessary for development and, therefore, pro-poor growth is requested. One measure would be to reduce poverty by employment creation. “Employment creation is the obvious foundation of pro-poor growth.” (Nayyar 2012:15) This aspect is already under consideration for post-2015.

*Keeping recent MDGs:* MDG 5b on sexual and reproductive health has very recently been added to the MDGs. The time period of five years will make it difficult to already have statistical outcomes and measure an improvement. Therefore, WHO (2012:2) proposes to re-include the recent MDGs.

## 2.2 Measuring development?

There is, in general, a problem with data collection and measuring the impact of the MDGs. Although Vandermoortle and Delamonica (2010:63) argue that “the MDGs have caught on so well because of their concise and measurable nature”, the MDGs are facing a problem with its indicators. Therefore, what is important for the post-2015 debate is to find indicators that are based on reliable data which guarantee to be calculated on the same basis and that can be compared. Poku and Whitman (2011:184) take up this issues and argue that “because of differences in compilation methodologies and definitions, some indicators may not be consistent across years because of differences in data sources”. This pontially leads to wrong results, wrong interpretations and bears the danger for inefficient actions. Especially calculating averages has faced manifold critique of leading authors as they can mislead policy-makers: “(...) a

good assessment of progress towards the MDGs must go beyond aggregates and averages. (...) [For instance,] a reduction in child mortality does not necessarily mean that child mortality has been reduced for certain disadvantaged groups” (Clarke, Feeny 2011:515).

Deciding upon the MDGs that comprise 43 indicators made it possible to calculate complex aspects of development and life in developing countries. The simplification of, in particular, social concerns was a usable approach to measure and calculate, not least because it was possible to measure and monitor progress and also to compare the situation in different countries. Nevertheless, there is a problem with this measurability, especially as societies have changed significantly 2000 and the economic situations are not the same any more. Moreover, there is a certain trickiness with averages: “If one looked at poverty reduction having removed China from the equation, global poverty did not fall much, with Sub-Saharan Africa remaining the lagging region.” (EU EDF 2012:19)

Therefore, one central question for the post-2015 debate is the question on how to measure the complexity of social and economic issues. Especially the aggregation of numbers can be difficult in some ways: “A large majority of respondents emphasised that measurement should not be based exclusively on global and aggregate averages that fail to measure inequalities between and within countries.” (EU EDF 2012:40) Also the statistical recording of some groups of the population is problematic: those who are addressed by the MDGs are the poor. But what if “a majority of the poor [is] now living in middle-income countries” (EU EDF 2012:7)? Therefore, special attention has to be given to the aspect of measuring SDGs post-2015, and towards the indicators used or newly created.

### 2.3 Post-2015: Private sector involvement

Efficient use of financial means is one of the priorities of the post-2015 debate. To make aid more efficient and to complement official development assistance (ODA) by other sources is one of the declared aims of the policy coherence for development (PCD). The [Busan High Level Forum on Aid Effectiveness](#) in 2011, as review process of the [Paris Declaration](#), agreed on a [Global Partnership for Effective Development Cooperation](#). The European Development Fund in its report suggests using the Busan “Global Partnership for Effective Development Cooperation” as a basis for the post-2015 debate (EU EDF 2012:29). Also the beyond-aid approach (EU EDF 2012:36) intends to raise more financial means for development than only official development assistance. A stronger involvement of the private sector could also be envisaged. However, involving the private sector should not give the current donors an opportunity for an excuse to lower their engagement. Although financial resources are important, development is not only

about money, as UNECA pointed out: “Don't get hung up on aid, warns the Economic Commission for Africa. The policies and capacity to deliver on them are what counts.”<sup>2</sup>

As of now, the chance of including the private sector in the development debate has been largely missed and hence its possibility to contribute to the MDGs: “(...) discussions on a new framework have to date mostly included development practitioners, governments and non-governmental organisations (NGOs) and have largely excluded the private sector”. (Lucci 2012: vi). However, an involvement of the private sector could be crucial: “Over half of global foreign direct investment (FDI) inflows are going to developing countries. These flows (\$574 billion in 2010; UNCTAD, 2011a) are four times larger than official development assistance (ODA) (\$128 billion in 2010; OECD, 2012)”. (Lucci 2012:3) Merging government and companies' interests and abilities have so far resulted in Economic Partnership Agreements (EPA). But those projects are rather small-scale and have not yet targeted multinational companies (MNCs). Nevertheless, they create valuable synergies: “The host country's efforts and the investors' endeavors will meet in a two-way give and take: e.g., if the host country wishes to step up education, and investors need skilled labor, a combined effort will be the most productive.” (R. Bardy et al. 2012:272) Efforts made by companies are mostly done by philanthropic activities. This philanthropist engagement of private investors has eased access of MNCs towards the development debate: “In addition, the increasing influence of a number of philanthropists with a private sector background has helped to facilitate partnerships between different actors and sectors and to promote greater private sector engagement in development.” (Lucci 2012:1) But what is missing is a structured engagement of the private sector and its core business: “FDI could increase greatly in the coming decade if appropriate strategies and policies are put in place with concerted efforts from governments in LDCs and development partners and the active involvement of the private sector.” (Lucci 2012:4)

Private sector involvement is important and, without it, some well-proven ways for development, like microfinance, would not have been possible: “As a matter of fact, many respondents noted that the private sector already played an important role in development, [by] Corporate Social Responsibility initiatives, Public-Private Partnerships, joint innovation and inclusive business models. (...) [Especially] financial private institutions such as banks and microfinance organisations play a key role to facilitate access to credit, savings and insurance options for the poor.” (EU EDF 2012:30) However, there is a “need to go beyond such voluntary initiatives and move towards more binding mechanisms”, as argued by EU EDF Program (2012:30), which could possible create a chance for systematic inclusion, not only motivating MNCs or SMEs to do voluntary engagement or CSR activities, but to really engage companies in the development debate. The EU EDF Program also emphasizes the need for a better reporting of what compa-

<sup>2</sup> <http://www.uneca.org/mdgs/Story1September05.asp>; 21.02.2013

nies do towards engagement in human rights, in anti-corruption, transparency, and also towards environmental aspects and an assessment of positive and negative impacts is necessary.

### 3 Rio+20: The Future We Want

At the United Nations Conference on Sustainable Development (Rio+20 Conference) in June 2012, an outcome document, called '[The Future We Want](#)', was agreed upon. This outcome document also includes the paragraphs (para 245-251) on the Sustainable Development Goals (SDGs). To present an overview of the SDGs, the most important fields of action were taken out and we grouped them in categories in Table 1 below on the basis of issues discussed by the UN System Task Team on the post-2015 UN Development Agenda (see also References in this case study).

Category	Fields of action
<b>Poverty eradication</b>	<ul style="list-style-type: none"> <li>○ Poverty eradication is high on the list</li> </ul>
<b>Strengthening Business</b>	<ul style="list-style-type: none"> <li>○ Changing unsustainable and promoting sustainable patterns of consumption and production</li> <li>○ Active engagement of the public and the private sectors, foster public-private partnerships, engage in responsible business practices (e.g. UN Global Compact) (UN 2012; para 46)</li> <li>○ Employment building (UN 2012; para 24)</li> <li>○ Inclusive and equitable economic growth (UN 2012; para 4)</li> <li>○ Establish a green sector and create green jobs (UN 2012; para 154)</li> <li>○ Generate decent jobs and decrease disparities in standards of living (UN 2012; para 30), particularly for women, youth and the poor (UN 2012; para 62)</li> <li>○ Consider the green economy as one of the important tools for achieving sustainable development (UN 2012; para 56)</li> <li>○ Sustainable transport (UN 2012:25)</li> <li>○ Leverage private resource flows (UN 2012; para 260)</li> <li>○ Sustainable tourism (UN 2012:25)</li> </ul>
<b>Environment</b>	<ul style="list-style-type: none"> <li>○ Protecting and managing the natural resource base of economic and social development</li> <li>○ Combating Climate Change with ambitious action (UN 2012; para 25)</li> <li>○ Prevent deforestation (UN 2012; para 193); fight against the loss of biodiversity (UN 2012; para 197), desertification, land degradation and</li> </ul>

	<p>drought (UN 2012; para 205)</p> <ul style="list-style-type: none"> <li>○ Raise public awareness on environmental issues (UN 2012; para 88e)</li> <li>○ Food Security (UN 2012; para 108); stress healthy marine ecosystems and sustainable fisheries (UN 2012; para 114); guarantee access to safe drinking water and basic sanitation (UN 2012; para 120)</li> <li>○ Sound management of chemicals and of hazardous waste (UN 2012; para 213)</li> </ul>
<b>Human Rights</b>	<ul style="list-style-type: none"> <li>○ Human Rights, democracy, good governance and the rule of law (UN 2012; para 10)</li> <li>○ Enhance social protection (UN 2012; para 107)</li> </ul>
<b>Developing country led dialogue</b>	<ul style="list-style-type: none"> <li>○ Stress the importance of the participation of indigenous peoples (UN 2012; para 46)</li> </ul>
<b>Making aid more efficient</b>	<ul style="list-style-type: none"> <li>○ Remove obstacles and constraints within humanitarian emergencies and in areas affected by terrorism (UN 2012; para 29)</li> <li>○ Improve development effectiveness (UN 2012; para 259)</li> <li>○ Greater coherence and coordination among the various funding mechanisms (UN 2012; para 262)</li> <li>○ Fighting corruption and illicit financial flows (UN 2012; para 266)</li> </ul>
<b>Gender</b>	<ul style="list-style-type: none"> <li>○ Ensure equal gender rights (UN 2012; para 31)</li> </ul>
<b>ICT</b>	<ul style="list-style-type: none"> <li>○ Bridge the digital divide (UN 2012; para 44)</li> </ul>
<b>Measuring</b>	<ul style="list-style-type: none"> <li>○ Importance of evaluation (UN 2012; para 63)</li> <li>○ Ensure gender equality and the empowerment of women (UN 2012:44); use of gender-sensitive indicators and sex-disaggregated data (UN 2012; para 239)</li> </ul>
<b>MDG 8 Develop a global partnership</b>	<ul style="list-style-type: none"> <li>○ Promote a strong science-policy interface (UN 2012; para 88d)</li> </ul>
<b>Energy</b>	<ul style="list-style-type: none"> <li>○ Give access to sustainable modern energy service – Energy for All (UN 2012; para 125; 129)</li> </ul>
<b>Health</b>	<ul style="list-style-type: none"> <li>○ Achieve universal access to and maintain health (UN 2012; para 140), ensure sexual and reproductive health (UN 2012; para 145)</li> <li>○ Reduce maternal and child mortality, improve health of women, youth and children (UN 2012; para 146)</li> </ul>

Table 1: Categories and fields of action of SDGs, based on work of the UN System Task Team on the post-2015 UN Development Agenda

## 4 EC Communication: ‘A Decent Life for All’ (2013)

In February 2013, the EU published the communication “[A Decent Life for All: Ending poverty and giving the world a sustainable future](#)” to foster a common approach between the current discussions (SDGs, post-2015 framework, and the positions within EU and UN). The Commissioner for Development, Andris Piebalgs, emphasized that commitment and political will are more necessary than ever to achieve improvements. Therefore, the set of goals should be action-orientated. For the first time, a **timeline** is mentioned by when the new process should show success: The long term vision is by **2050**, the goals and targets focus on **2030**. In this Communication, the EU also proposes that SDGs should merge with the post-2015 framework.

The key factors to bear in mind are:

- ensuring basic living standards;
- inclusive and sustainable growth;
- sustainable resource management; and
- equality, equity, justice and peace and security.

As argued in this Communication, **poverty reduction** can only be successful if it is linked to global environmental sustainability (EU EC 2013:8). And **unsustainable use of natural resources** is a major problem in developing countries (EU EC 2013:11), but “the effects (...) are still largely determined by developed countries and increasingly by emerging economies” (EU EC 2013:4). So only a global approach on these issues can achieve success in the context of a global set of SDGs. Also included in the Communication is the argument that a strong focus has to be given towards **good governance**. Those countries that have had little or no improvements towards the MDGs are mostly lacking in democracy, rule of law and respect for human rights.

As the world has undergone major changes and various crises, their results also have an impact on the MDGs. Therefore, there are some challenges to be faced:

- Underemployment and exclusion from the labour market, especially concerning those without good education and women.
- Informal work is a problem with a view towards social protection and working conditions as such.
- Resource use is important to act against climate change and meet the future need for agricultural use of land due to a predicted growth in population.
- Sub-Sahara Africa is a problematic region having the biggest steps to take. The region is faced by gender inequality, health problems (HIV/Aids), and lack of food security.
- Development aid has in some cases been claimed not to be efficient enough, so one requirement is to avoid “duplication of efforts as regards the financing for development



process” (EU EC 2013:7) and to foster also coherence in work (e.g. disaster risk reduction). This can be done with a thought towards private sector inclusion.

- The issue of measurability is stressed as well: “We must move from purely quantitative goals to address quality, for example in education and health.” (EU EC 2013:9)

The commitment of the EU will be guided by the Europe 2020 Strategy and existing international agreements (e.g. towards climate change). A full list of upcoming events influencing the political and legal framework (as, e.g. common fishery policies) that is influencing the MDGs can be found in the Annex of the [Communication](#).

## 5 Future Perspectives

The MDGs have, in general, the power to mobilize the international community to raise money and take action for development issues that still had to be improved. But nevertheless, there is still a lot to do. As MDGs will expire in 2015, there is already a discussion on what will follow. The UN agreed on Sustainable Development Goals (SDGs) which should be the successor of the MDGs in the period post-2015.

The post-2015 process is already on its way. In June 2012, the Rio+20 Summit took place and produced an outcome document, called 'The Future We Want', where the issues that should guide the SDG process were outlined. Some of the SDGs are the re-integration of the existing MDGs, like poverty reduction, education and developing a global partnership, as well as gender issues. However, there are also some additional goals proposed to be added. They have not been major issues in the 90s and 2000s, when the MDGs were implemented, but are now seen of great importance, e.g. energy issues and a special focus towards human rights.

In order to provide efficient action, aid efficiency and efficiency as an overall aim should be addressed. This can be done by taking a closer look into evaluation, measuring and setting a list of reliable indicators, but also to provide a perspective behind the structures of the problems, to better understand and to better improve current weaknesses. In support of this, the integration of the private sector is useful and should be further investigated.

As the SDG process is still ongoing and consultations are currently taking place, the most important event will be the 68<sup>th</sup> General Assembly of the United Nations Secretary General, which will be held in September 2013 and the Open Working Group will present its report. The aim is to decide upon methods of work and modalities how the relevant experts and stakeholders can be involved. As a result, and in cooperation of the United Nations with scientists, a proposal will

be submitted to the General Assembly what to consider for the SDGs<sup>3</sup>. Please find in the table below an overview of ongoing and future important events:

05/2012- 02/2013	United Nations Development Group Meeting Themes of Global meetings: <ul style="list-style-type: none"> <li>○ Inequalities (across all dimensions, including gender)</li> <li>○ Health (including issues covered by MDGs 4, 5, 6, plus non communicable diseases)</li> <li>○ Education (primary, secondary, tertiary and vocational)</li> <li>○ Growth and employment (including investment in productive capacities, decent employment, and social protection)</li> <li>○ Environmental sustainability (including access to energy, biodiversity, climate change)</li> <li>○ Food security and nutrition</li> <li>○ Governance (at all levels)</li> <li>○ Conflict and fragility (including post-conflict countries, and those prone to natural disasters)</li> <li>○ Population dynamics (including ageing, international and internal migration, and urbanisation)</li> </ul>
31/05/2013	Un Secretary General Consultation, also with expert group on SDGs will submit its report to the Secretary General on 31 May 2013.
09/2013	UN General Assembly (UNGA) MDG Review Summit The UN Secretary-General will present his post-2015 vision for sustainable development at the 68 <sup>th</sup> General Assembly in September 2013
09/2014	UN Review of the Political Declaration on NCDs
01/2015 – 12/2015	Intergovernmental negotiations process in UN General Assembly on post-2015
07 - 09/2015	UN General Assembly Post-MDG Review Summit

Table 2: Important events for the SDG process in the UN system:

<sup>3</sup> <http://www.unhabitat.org/categories.asp?catid=746>



## Annex 1: Official list of MDG goals and indicators

### Official list of MDG indicators

All indicators should be disaggregated by sex and urban/rural as far as possible.  
Effective 15 January 2008

Millennium Development Goals (MDGs)	
Goals and Targets	Indicators for monitoring progress
<b>Goal 1: Eradicate extreme poverty and hunger</b>	
Target 1.A: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day	1.1 Proportion of population below \$1 (PPP) per day <sup>a</sup> 1.2 Poverty gap ratio 1.3 Share of poorest quintile in national consumption
Target 1.B: Achieve full and productive employment and decent work for all, including women and young people	1.4 Growth rate of GDP per person employed 1.5 Employment-to-population ratio 1.6 Proportion of employed people living below \$1 (PPP) per day 1.7 Proportion of own-account and contributing family workers in total employment
Target 1.C: Halve, between 1990 and 2015, the proportion of people who suffer from hunger	1.8 Prevalence of underweight children under-five years of age 1.9 Proportion of population below minimum level of dietary energy consumption
<b>Goal 2: Achieve universal primary education</b>	
Target 2.A: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling	2.1 Net enrolment ratio in primary education 2.2 Proportion of pupils starting grade 1 who reach last grade of primary 2.3 Literacy rate of 15-24 year-olds, women and men
<b>Goal 3: Promote gender equality and empower women</b>	
Target 3.A: Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015	3.1 Ratios of girls to boys in primary, secondary and tertiary education 3.2 Share of women in wage employment in the non-agricultural sector 3.3 Proportion of seats held by women in national parliament
<b>Goal 4: Reduce child mortality</b>	
Target 4.A: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate	4.1 Under-five mortality rate 4.2 Infant mortality rate 4.3 Proportion of 1 year-old children immunised against measles
<b>Goal 5: Improve maternal health</b>	
Target 5.A: Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio	5.1 Maternal mortality ratio 5.2 Proportion of births attended by skilled health person-
Target 5.B: Achieve, by 2015, universal access to reproductive health	5.3 Contraceptive prevalence rate 5.4 Adolescent birth rate 5.5 Antenatal care coverage (at least one visit and at least four visits)

<b>Goal 6: Combat HIV/AIDS, malaria and other diseases</b>	
Target 6.A: Have halted by 2015 and begun to reverse the spread of HIV/AIDS	6.1 HIV prevalence among population aged 15-24 years 6.2 Condom use at last high-risk sex 6.3 Proportion of population aged 15-24 years with comprehensive correct knowledge of HIV/AIDS 6.4 Ratio of school attendance of orphans to school attendance of non-orphans aged 10-14 years
Target 6.B: Achieve, by 2010, universal access to treatment for HIV/AIDS for all those who need it	6.5 Proportion of population with advanced HIV infection with access to antiretroviral drugs
Target 6.C: Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases	6.6 Incidence and death rates associated with malaria 6.7 Proportion of children under 5 sleeping under insecticide-treated bednets 6.8 Proportion of children under 5 with fever who are treated with appropriate anti-malarial drugs 6.9 Incidence, prevalence and death rates associated with tuberculosis 6.10 Proportion of tuberculosis cases detected and cured under directly observed treatment short course
<b>Goal 7: Ensure environmental sustainability</b>	
Target 7.A: Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources	7.1 Proportion of land area covered by forest 7.2 CO2 emissions, total, per capita and per \$1 GDP (PPP) 7.3 Consumption of ozone-depleting substances 7.4 Proportion of fish stocks within safe biological limits
Target 7.B: Reduce biodiversity loss, achieving, by 2010, a significant reduction in the rate of loss	7.5 Proportion of total water resources used 7.6 Proportion of terrestrial and marine areas protected 7.7 Proportion of species threatened with extinction
Target 7.C: Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation	7.8 Proportion of population using an improved drinking water source 7.9 Proportion of population using an improved sanitation facility
Target 7.D: By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers	7.10 Proportion of urban population living in slums <sup>b</sup>

<b>Goal 8: Develop a global partnership for development</b>	
Target 8.A: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system	Some of the indicators listed below are monitored separately for the least developed countries (LDCs), Africa, landlocked developing countries and small island developing States.
Includes a commitment to good governance, development and poverty reduction – both nationally and internationally	Official development assistance (ODA)
Target 8.B: Address the special needs of the least developed countries	8.1 Net ODA, total and to the least developed countries, as percentage of OECD/DAC donors' gross national income
Includes: tariff and quota free access for the least developed countries' exports; enhanced programme of debt relief for heavily indebted poor countries (HIPC) and cancellation of official bilateral debt; and more generous ODA for countries committed to poverty reduction	8.2 Proportion of total bilateral, sector-allocable ODA of OECD/DAC donors to basic social services (basic education, primary health care, nutrition, safe water and sanitation)
Target 8.C: Address the special needs of landlocked developing countries and small island developing countries	8.3 Proportion of bilateral official development assistance of OECD/DAC donors that is untied
Target 8.E: In cooperation with pharmaceutical companies, promote access to affordable essential drugs on a sustainable basis	8.4 ODA received in landlocked developing countries as a proportion of their gross national incomes
Target 8.F: In cooperation with the private sector, make available the benefits of new technologies, especially information and communications technologies	8.5 ODA received in small island developing States as a proportion of their gross national incomes
	Market access
	8.6 Proportion of total developed country imports (by value and excluding arms) from developing countries and least developed countries, admitted free of duty
	8.7 Average tariffs imposed by developed countries on agricultural products and textiles and clothing from developing countries
	8.8 Agricultural support estimate for OECD countries as a percentage of their gross domestic product
	8.9 Proportion of ODA provided to help build trade capacity
	Debt sustainability
	8.10 Total number of countries that have reached their HIPC decision points and number that have reached their HIPC completion points (cumulative)
	8.11 Debt relief committed under HIPC and MDRI Initiatives
	8.12 Debt service as a percentage of exports of goods and services
	8.13 Proportion of population with access to affordable essential drugs on a sustainable basis
	8.14 Fixed telephone lines per 100 inhabitants
	8.15 Mobile cellular subscriptions per 100 inhabitants
	8.16 Internet users per 100 inhabitants

The Millennium Development Goals and targets come from the Millennium Declaration, signed by 189 countries, including 147 heads of State and Government, in September

2000 (<http://www.un.org/millennium/declaration/ares552e.htm>) and from further agreement by member states at the 2005 World Summit (Resolution adopted by the General Assembly - A/RES/60/1, <http://www.un.org/Docs/journal/asp/ws.asp?m=A/RES/60/1>). The goals and targets are interrelated and should be seen as a whole. They represent a partnership between the developed countries and the developing countries "to create an environment – at the national and global levels alike – which is conducive to development and the elimination of poverty".

<sup>a</sup> For monitoring country poverty trends, indicators based on national poverty lines should be used, where available.

<sup>b</sup> The actual proportion of people living in slums is measured by a proxy, represented by the urban population living in households with at least one of the four characteristics: (a) lack of access to improved water supply; (b) lack of access to improved sanitation; (c) overcrowding (3 or more persons per room); and (d) dwellings made of non-durable material.

Source: MDG targets, subtargets and indicators:

<http://mdgs.un.org/unsd/mdg/Resources/Attach/Indicators/OfficialList2008.pdf>; 27.02.2013

## Annex 2: Questionnaire of the public consultation in the EU on post-2015 framework

### 1. Questionnaire

#### A. The MDGs: benefits and limitations

1. To what extent has the MDG framework influenced policies in the country/ies or sectors you work in/with?
2. To what extent has the MDG framework been beneficial for the poor in the country/ies or sectors in/with which you work?
3. What features and elements of the MDG framework have been particularly valuable in the fight against poverty?
4. What features and elements of the MDG framework have been problematic, in your view?
5. In your view, what are the main gaps, if any, in the MDG framework?

#### B. Feasibility of a future framework

6. In your view, in what way, if at all, could a future framework have an impact at global level in terms of global governance, consensus building, cooperation, etc.?
7. To what extent is a global development framework approach necessary or useful to improve accountability with regard to poverty reduction policies in developing countries?
8. What could be the advantages and disadvantages of a global development framework for your organisation/sector, including how you work effectively with your partners?

#### C. The potential scope of a future agenda

9. In your view, what should be the primary purpose of a future framework?
10. In your view, should its scope be global, relevant for all countries?
11. To what extent should a future framework focus on the poorest and most fragile countries, or also address development objectives relevant in other countries?
12. How could a new development agenda involve new actors, including the private sector and emerging donors?
13. How could a future framework support improved policy coherence for development (PCD), at global, EU and country levels?
14. How could a new framework improve development financing?

#### D. The potential shape of a future agenda

15. What do you consider to be the "top 3" most important features or elements which should be included in or ensured by any future development agenda?
16. What do you consider to be the "top 3" features or elements which must be avoided in any future development agenda?
17. Should it be based on goals, targets and indicators? If any, should goals have an outcome or sector focus? Please give reasons for your answer.
18. How should implementation of the new framework be resourced?

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# Methods and Tools for Corporate Impact Assessment of the Millennium Development Goals (MDGs) and Sustainable Development

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ESDN Case Study N°14



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## Introduction

As the title suggests, this ESDN case study provides insight on impact measurement tools available for companies to measure their impact on or contribution towards achieving the [Millennium Development Goals](#) or the [UN Global Compact](#) or any other sustainable development goals that may they be self-imposed or predetermined by international organisations. Before moving straight on to the numerous measurement tools available, a view questions have to be answered, like ‘Why are impact measurement tools necessary?’, ‘What are self-imposed or international development goals?’ or ‘How to compare these numerous available but mostly very different tools?’

Nowadays it’s increasingly expected by stakeholders and consumers alike that private sector practices incorporate some sense of responsible and sustainable business behaviour. No business sector, nor any type of enterprise, especially not multinational companies, is excluded from this all imposing global trend that is referred to as **Corporate Social Responsibility (CSR)**: “CSR – or something that goes under the banner of CSR or one of its many counterparts – is now practiced in most large corporations in Europe and the USA, as well as in parts of Asia, and has been taken up by corporations from many major developing countries (...). The CSR practices of huge multinationals (...) affect millions, perhaps billions of people across the world, whether through the products they supply, the people they employ, the communities in which they locate, or the natural environments they affect.” (Crane/Matten/Spence 2008a:175)

As a matter of fact, CSR has started out as a management idea in the 1950s in the USA. This is not to say that before there was no demand for responsible business practice, but since then business actions on a voluntary basis in all different kind of areas – including human rights violations, environmental pollution, harming of stakeholders and fraud and corruption – gained popularity due to raising pressure by society, international organizations and nongovernmental organisations. (cf. Crane/Mateen/Spence 2008a: 3-4) Companies’ actions behind the products have also been gaining an influence on the consumers’ purchasing decisions. Over the years, expectations have not changed, but rather increased and, therefore, it is expected from companies to follow a more ambitious effort in the sense of “giving back to society” (Köppel/Neureiter 2004: 16) It has to be mentioned though that there is no one-size-fits-all prescription of what is to be expected by companies’ social responsible behaviour. This issue will become clearer in the following chapters that examine tools that try to measure the corporate contributions to sustainable development.

The expectations for companies are extremely high and, therefore, social responsible business behaviour is expected to be more than just philanthropic giving. As Grayson and Hodges put it “[t]he attempt to consider how CSR might be ‘built in’ to the core business of firms as opposed to ‘bolt on’ as an extra has become a major theme in the CSR practitioner world.” (Crane/Matten/Spence 2008a: 8 et seq) It is thus meant to go way beyond the level of philan-

thropy. It requires good behaviour in all components of business practice. Donating and philanthropic giving does not cut it. The expectation is that **sustainable business behaviour should be a concept which is inherent in every single business action**. (cf. Crane/Matten/Spence 2008a: 8) This also makes clear why measurement tools are of such importance: companies try to find out what the actual impacts of their 'built in' actions are.

The reasons for engaging in social responsible behaviour are numerous: the rising pressure and expectations are one reason, but companies also hope for clear creating advantages by following the 'rules' of social responsible behaviour. For once, it is a tool for risk reduction, business development and competitive advantage gain. Companies, furthermore, hope for increasing reputation and legitimacy. Thus it is not only the internal and external social pressure of employees and consumers, but in the most cases it is a matter of simply doing what is right. (cf. Crane 2008: 221-223) By outlining the framework of this case study, it has to be mentioned that it is a fact that companies not only practice responsible behaviour out of sheer generosity, even though the concept asks for rightful behaviour on a voluntary bases. (cf. Carroll 2008a: 19-21) The inclusion of voluntariness as a key concept in the CSR concept is generally controversial. (cf. Crane/Matten/Spence 2008a: 7) A very well know German saying is 'do good and talk about it' and that is exactly what lies behind this seemingly all-captivating trend of responsible business behaviour. Nevertheless, corporate behaviour is clearly a theme reported in the media on an everyday basis. The news of corporate misdeeds provides fodder for new headlines, but positive corporate behaviour is attracting attention as well. (cf. Crane/Matten/Spence 2008a: 13-17) Before being able to make all good deeds and the engagement of the company visible for the wider public, all actions have to be recaptured or measured and formed into a document of proof. By repeating this measurement regularly, showing progress and improvement is intended. That is where the numerous measurement tools, captured in this case study, come into operation.

## 1 Frameworks for social responsible behaviour

For a successful implementation of sustainable business behaviour, companies need to declare what actions they are focusing on and what positive impacts are to be expected. Therefore, **a concept, a so called 'Code of Conduct'**, is necessary to frame all actions that are planned in order to move towards more sustainability. As there is no single concept which is appropriate for every company, each company has to create its own written obligations that they intend to follow. Many companies though follow international well known concepts and codes which all focus on different aspects of sustainable development. (cf. Brink/Tiberius 2005: 15 and Burchell 2008c: 119. and Kuhlen 2005: 14 et seq.)

This concept is anything but unchangeable as it is meant as a framework for orientation with goals for responsible actions the companies intend to implement. Such a 'Code of Conduct' is also a document of orientation for the company's stakeholders and shareholders, but at the same time, there is no guarantee for responsible behaviour due to the Code of Conduct. An im-

portant fact is that the conditions vary among the different industries and different countries in which multinationals are doing business in. One Code for all companies would be improper, but at the same time, it is important that the goals are reliable in the environment the company does business in. It gets even more difficult when the supply chain has to be taken into account. Nowadays, good deeds are not only expected by the companies themselves, but also of the whole supply chain. Monitoring the company's behaviour is complicated, but monitoring the behaviour of the whole supply chain is sheer impossible. (cf. Kuhlen 2005: 16 et seqq. and Burchell 2008c: 120 et seq.) This is a matter of fact which becomes obvious when assessing all impact measurement tools.

Besides all these complications, there are alternative approaches, like commonly known standards and codes all companies should follow. **Global Initiatives**, like the following, provide a framework with core goals which corporations can accede themselves to: [UN Global Compact](#), [Global Reporting Initiative \(GRI\)](#), and [OECD Guidelines for Multinationals](#), [ILO Conventions](#), [ISO 14000 Series](#) and the [Green Paper of the European Union](#). Some of them will be in the centre of certain measurement tools, especially the UN Global Compact and the GRI, but many companies focus on the [Millennium Development Goals \(MDGs\)](#) by the United Nations.

The reasons for focusing on global goals and initiatives within the social responsible behaviour are manifold, but the most important one might be the gain in reliability. Companies and stakeholders alike can have the guarantee that the use of international frameworks brings more credibility than a company's internal self-imposed codes. It is uncertain, however, if companies tend to drop out of their stated commitment if they do not notice any benefit through it. (cf. Burchell 2008c: 122 et seq.) It also has to be mentioned that seals of quality are not that common as the detailed assessment of the measurement tools of sustainable behaviour will show, but it will be visible that many tools just exclude the measurement of negative impact.

As MDG and the UN Global Compact come up several times during the assessment of measurement tools a brief outline is necessary:

## 1.1 Millennium Development Goals (MDGs)

After the so called lost decade for development, the 1980s, in 2000 the United Nations decided upon the [Millennium Declaration](#) which includes eight simple understandable goals, the [Millennium Development Goals \(MDGs\)](#) which should be reached by 2015. An in-depth exploration of the MDGs and the post-2015 debate can be found in the [ESDN Case Study No 13](#). In Annex 1 of this case study, we present the MDGs 8 main goals and their accompanying 18 targets including 48 technical indicators.

## 1.2 UN Global Compact

Founded in 1999 by Kofi Annan, the [UN Global Compact](#) was created as a platform for organizing global business in peace and prosperity. Nowadays, it has already more than 10,000 partici-



pants spread across 145 countries. Officially, the requirement of the Global Compact is to combine economic goals with universal moral concepts. The Global Compact rests upon [ten principles](#) (see Annex 2) which companies are required to follow and which cover the areas of human rights, environment, anti-corruption and labour, whereby human rights issues are of main priority. (cf. Hölz 2008: 511 et seq.) The ten principles mainly derived from the [Universal Declaration of Human Rights](#) and the [Rio Declaration on Environment and Development](#) as well as the [United Nations convention against Corruption](#). (cf. The United Nations Global Compact 2008: 136-142/Website of the United Nations/Leisinger 2005:228, 240)

The main success of the Global Compact may well be due to its country networks which aim to translate the principles into every country's needs and thus make the whole system more practicable. Companies are expected to follow the principles of the Global Compact and even though the implementation of the principles takes time, the number of companies assigned to the Global Compact is increasing and the according change of business practice is very positive. The reason for its success mainly lies in the fact that governments, business as well as labour, civil society and organizations are all involved in the achievement of the outlined goals. Only through that broad coverage of all levels of business interactions, business behaviour towards higher social and economic standards can be achieved.

## 2 Sustainable development impact measurement tools for companies

It has to be mentioned that the list of measurement tools provided in this chapter has not the aim of being complete. The tremendous offer on tools available (please see a comprehensive overview of tools in Annex 4) only makes it possible to give an overview. Generally speaking, the tools can be divided into the two groups: **self-assessment tools** and **external assessment tools**. Especially for tools where the assessment has to be done by companies themselves (self-assessment tools), there are various ways of doing so which are described in the first subchapter.

### 2.1 Self-assessment tools

Self-assessment tools are tools with which companies do the assessment by themselves. The respective company provides and fills in data, in some cases does the calculation of the outcome, and publishes the assessment results (if it wishes to do so). Among the vast array of self-assessment tools are the following:



### 2.1.1 Online tools

These tools usually all use some kind of online masks. Online masks also work with so called indicators<sup>1</sup> which need to be answered by estimation, thus they do not work with exact measurement. The advantage of online masks is that they are easy to handle, easy to fill in, understandable, not too time consuming, and there is no possibility of skipping indicators. In general, positive and negative impacts are assessed, whereas negative impacts in most cases referred to as 'zero impact'. Some of these tools differentiate between sectors but most do not. Online tools are in general self-assessment a tool, meaning the company decides when to start the evaluation, how much time they intend to invest, and what to do with the outcome. The outcome – either in form of a printable report on an excel spreadsheet or graphic demonstration – summarises how many beneficiaries there are or how many percentages, points or stars have been received. Only a few work with certificates. Most online tools have certain things in common: there is no obligation for impact evaluation; there is no obligation for making the results public; and there is no obligation for follow-up actions. The tools also do not provide guidance or information on how to follow-up on the results. This has to happen entirely voluntarily, maybe by consulting experts. There are also many consultancies offering help and guidance for using certain kinds of tools like the LBG Model (see below). For many tools, log-in is necessary which in most cases is associated with extra costs for registration.

There are tools which explicitly mention to evaluate the whole supply chain, including tools like the MDGscan, Global Compact Self-Assessment tool, and Human Rights Compliance Assessment. How they actually proceed in doing so, is not easy to evaluate because they do not provide information for free. Do they ask their suppliers to use the tool as well or do they answer indicators by estimating of how their suppliers are performing or do they actually demand certain measures from their suppliers?

The following tools fall under the criteria of being an Online Tool:

- [MDG Scan](#)
- [Wildesoft Tools](#)
  - Impact Manager
  - LM3 Supply Chain Manager
  - Impact Predictor
  - Social Tool Organizer
- [LiSt Lives Saved Tool](#)
- [Global Compact Self-Assessment Tool](#)
- [LBG Model](#)
- [Social e-valuator](#)
- [Inclusive Business Challenge](#)
- [HRIAM Guide to Human Rights Impact Assessment](#)
- [MoNA](#) (Monitoring Nachhaltigkeit)

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<sup>1</sup> Most tools use indicators. Indicators in this specific area are specific questions concerning an area of CSR or social impact/development which have to be answered by estimation by, for example, ticking yes/no/further information boxes. For most Frameworks and Guidelines as well as External Assessment tools and Online Modules, the set of indicators can be adapted according to sector, point of interest, etc.

- [GIIRS](#) (Global Impact Investing Rating System) (BCorp Certificate)
- [Human Rights Matrix](#)
- [Human Rights Compliance Assessment](#)
- [Accountability Measures](#)
- [UN Global Compact Quick Self-Assessment and Learning Tool](#)
- [Retail Supply Chain Portal](#) - includes two tools WercsHELP and the GeenWERCS
- [Partnership Assessment Tool \(PAT\)](#)

#### 2.1.1.1 Online platforms

Another form of online tools are 'online platforms' or, as they are mostly called, cloud tools which include the evaluation of impacts along the value chain. The essential difference is whether the buyer or the supplier takes up the initiative. It is not mentioned what happens after the buyer and supplier grant each other access to all their data within the cloud platform. It can only be assumed that in such a case, expected follow-ups are discussed between the two parties and it will be in the power of the buyer to request improvements of social and environmental conditions. Examples are:

- [CSRware-SSC](#) sustainable supply chain
- [SIM](#) - Arcus Supplier Information Management system
- [Supplier Portal](#)
- [Human Rights Impact Assessment](#)
- [HRIA A Human Rights Impact Assessment Toolkit](#)

#### 2.1.1.2 Online tools which create country profiles

These tools are very interesting in terms of showing onsite conditions for business risk reduction. The tools monitor risks and conditions companies are facing when doing business or operating local branches or subsidiaries in different countries of the world (either in developed countries or countries of low development). The impacts of business actions can be expected to be very different depending on where the business operations are located, including these aspects in social responsible behaviour seems to be very useful. Examples of these tools are:

- [MDG monitor](#)
- [Maplecroft Tools](#) – Risk-Responsibility-Reputation Institute
- [OECD Better Life Index](#)
- [Dashboard of Sustainability](#)
- [ORBIT](#)
- [OECD Risk Awareness Tool for Multinational Enterprises in Weak Governance Zones](#)
- [Corruption Perception Index](#)
- [Bribe Payers Index](#)
- [Global Corruption Barometer](#)
- [AGI Data Portal](#)
- [WGI project](#) Worldwide Governance Indicators
- [Global Integrity Report](#)

### 2.1.2 Frameworks and guidelines

In a nutshell, frameworks and guidelines can be seen as additional self-assessment method opposite to the online tools that include all the aspects mentioned above: there are no obligations on using them, mostly no costs involved, there is no follow up necessary, there is no inspection, and the outcome is not made public. Companies decide for themselves if they want to publish a report including all the findings of the impact assessment. These frameworks and guidelines are of use for any company of any size and any sector. The negative aspect of frameworks and guidelines is that not only the data provision, but also in some cases the design of a mask (maybe an excel sheet) wherein to fill in the data as well as the ‘calculation’ of the outcome has to be done by companies themselves. Even with support for framework and guidelines, this is in most cases complicated and takes up a lot of time and effort for companies. On the other hand, guidelines and frameworks can be downloaded for free. Frameworks give instructions on how to proceed in order to evaluate impact and guidelines provide information on how to do the measuring and which indicators need to be used. Some examples are listed below:

#### Frameworks:

- [UNDP Company Level CSR Self-Assessment Tool](#)
- [MFI Measuring Impact Framework Methodology](#)
- [DJSI - Corporate Sustainability Assessment](#)
- [G3.1 Sustainability Reporting Guidelines](#)
- [Environmental Management Systems \(EMS\)](#)
- [Assessing Development Impact](#)
- [BellagioSTAMP](#) Sustainability Assessment and Measurement Principles
- [CR Reporting](#) AccountAbility Reporting
- [OHCHR Guide](#) Human Rights Indicators: A Guide to Measurement and Implementation

#### Guidelines:

- [NONIE](#) - Guidance on Impact Evaluation
- [IESIA Integrated Environmental and Social Impact Assessment Guidelines](#)
- [Iooi-Method](#) (input-output-outcome-impact-Method)
- [The Corporate ESR](#)
- [Supply Chain Insight Tool \(SCi\)](#)

#### *2.1.2.1 Frameworks and Guidelines which focus on Sector Profiles*

These tools are all self-assessment tools which provide either a framework or guideline for impact assessment. The only difference is that they are designed for one specific sector or purpose only:

- [Aqua Gauge](#)
- [Supplier Self-Assessment Questionnaire \(SAQ\)](#)
- [Sustainable Procurement of Wood and Paper-Based Products](#)
- [RIMS Impact Management System](#)

- [Corporate Water Footprint](#)
- [SEAT](#)
- [Global Water Tool](#)

## 2.2 External assessment tools

These tools include external assessment by, for instance, independent NGOs or field experts. This practice includes field interviews in local communities where the companies are doing business in. It is a very time-consuming and cost intensive method and the process can take months or even years. The clear advantage is that these tools are very individual. Questionnaires and indicators are matched to the business sector, location and onsite condition. Therefore, the outcome reflects exactly the positive and negative impact detected. These tools also include the interactive element between companies and NGOs or external experts. As for the evaluation, experts deliver a report at the end of assessment and that is discussed with the companies on the current situation and what could be done to improve the impact. Examples are:

- [Oxfam Poverty Footprint](#)
- [PPI Progress out of Poverty Index](#) (Tools with PPI Certification)
- [SAM Corporate Sustainability Assessment](#)
- [COSA Methodology](#)

## 3 Best practice

In this chapter, we provide a more in-depth overview of certain tools that are regarded as best practice tools, including both self-assessment and external assessment tools.

The [MDG scan](#), an online tool, proves to be a good tool for impact evaluation. Even the UN Global Compact recommends the use of the [Partnership Assessment Tool](#) in combination with the MDGscan. The Partnership Assessment Tool makes visible in which areas of business a company achieves the requests of the UN Global Compact. In addition, companies are encouraged to use the MDGscan in order to see what their business impact in the areas of the MDGs is. The MDGscan was initially created for Dutch businesses. The outcome of the MDGscan shows companies the number of beneficiaries in each of the eight MDGs as well as the total number of beneficiaries by their business actions. Companies fill in basic data and the scan works with multipliers to calculate the actual outcome, thus making it one of the **self-assessment tools**. Companies get a printable report which summarises all the information and indicators answered. Using the MDGscan, companies are in an online community and they show their result to the community. It is also possible to interact with the other participating companies. In case the companies agree the sheet of beneficiaries affected will be shown online at the MDGscan webpage.

The [LBG Model](#), also an Online Tool, works slightly different. The LBG model evaluates the total-ity of corporations' contribution to the community. The benefits for business as well as com-munities are assessed. Therefore, the LBG Model focuses more (but not exclusively) on specific projects a company undertakes in order to contribute to community. The LBG Model includes four aspects in the assessment: (1) data on how companies contribute (cash, time, in-kind, managing costs); (2) why companies contribute to community (community investment, com-mercial initiative in the community); (3) specification of business locations; and (4) explanation of which subjects companies focus on. The outcomes not only show community benefits but al-so business benefits. The LBG Model is getting increasingly well-known and the data generated from the LBG Model is suggested to be used in major corporate social responsibility indices (e.g. DJSI, GRI, CRI) as well as for internal management decisions and external communication. The LBG offers an annual report with best practice examples and numbers of total resources com-mitted to community by business.

The [GIIRS](#) is recommended to be combined with the [IRIS](#) tool and, again, works differently compared to the ones described above. The GIIRS by the B Impact Ratings System is an online self-assessment tool which measures a company's overall impact on all stakeholders (i.e. work-ers, suppliers, customers, community and environment). Depending on the company's size and industry sector, the assessment includes between 120 and 180 indicators/questions. Each ques-tion is weighted and contributes to an overall score. There are, in total, 200 total points availa-ble in the rating system. From this maximum, 70% of the points focus on the positive outputs, 25% focus on good practice and 5 % focus on policies. The points achieved are then translated into a rating that ranges from 1 to 5 stars. The 5-star rated companies are the highest rated companies with a minimum of 125 points achieved. These companies qualify for the BCorp cer-tificate. Even if a company has a bad rating in one aspect, it can be balanced by exceptional good ratings in other aspects of business. The specific outcome is a report which shows the rat-ing details of the company with all points achieved and stars received. GIIRS has a three-level verification process with an assessment review, a documentation review and an on-site review in 10% of all participating companies. The GIIRS produces a quarterly analytics report which summarises all outcomes and shows best practice companies in developed markets and emerg-ing markets.

Two additional online tools, the [Global Compact Self-Assessment Tool](#) and the [Human Rights Compliance Assessment](#) tool, which work very similar due to the fact that they are developed by the same institution, the Danish Institute for Human Rights, are also very interesting and useful: The first one, the Global Compact Self-Assessment Tool is, like the three tools men-tioned above, a self-assessment tool. It gives recommendations on what could be a possible fol-low-up on the outcome of the assessment and it is recommended to share experience within the network of the UN Global Compact on a voluntary bases. The tool assesses the four main aspects of the UN Global Compact: human rights, labour, environment and anti-corruption. In each aspect questions according to the 10 principles of the UN Global Compact have to be an-swered by estimation ("Yes", "No", "F/A = further attention required", "N/A = not applicable"). The outcome can be exported in an excel sheet. This can be used as printable summary and to generate a follow-up report. At the end it shows which areas the company has to pay further

attention to and in which ones it is are well off. The second one, the Human Rights Compliance Assessment, works very similar. It is a database with over 300 questions. Depending on the industry a different set of questions is applied. Only 10% of questions are the same for each sector. The questions are derived from international laws concerning human rights. The questions/indicators need to be answered by estimation as well (Yes/No/FA/NA) “Yes”, “No”, “F/A = further attention required”, “N/A = not applicable”. There is no information on further steps or outcome (access only for registered users) but it can be assumed that it works similar to the Global Compact Self-Assessment Tool.

There is another type of tool which includes **external assessments** of business practice. The [PPI Progress out of Poverty Index](#) (PPI) and the [Oxfam Poverty Footprint](#) are good examples therefore. The first, PPI, is a tool solely for the Microfinance Investment Sector (MFI), measuring the likelihood of clients to fall below national poverty line. Therefore, MFI field staff visits the homes of clients and collects key information by interviewing them using ten specific indicators (which are not described). The [Country Living Index](#) then serves as a baseline from which client progress is measured. The results of the PPI allow MFI to make key decisions on the mission and how to carry it out. So the outcome is simple. It compares what has been done with what needs to be done to get people out of poverty. The second, Oxfam Poverty Footprint, works similarly. It is carried out by an independent research team, which is supported by the company in questions, and evaluates impacts of core activities in one single country the company does business in. There are 5 research areas: value chain, macro-economy, institutions and policy, social implications of environmental practices, product development, and marketing. The research questionnaire is developed individually for each company and region. This method can take from 2 month up to 2 years and many financial resources are required. The independent research team is delivering a report and, if wanted, it develops a follow-up strategy with the company.

## Conclusions

After examining various assessment tools, the following summary can be made: There are numerous available ‘tools’, grouped into self-assessment or external-assessment tools. The exact working process of most of the tools is not clear as they lack transparency. Especially guidelines and frameworks turn out to be very difficult to understand. They involve a lot of work and are more complicated compared to most online tools. In general, it also can be said that most tools work with estimations instead of specific measurements which probably is a result of the fact that it is difficult to accumulate all the necessary data which would be essential for exact measurement. The following conclusions can drawn by using the assessment criteria that are specified in more depth in Annex 3:

Most tools available are self-assessment tools, meaning that the companies not only need to provide data by themselves but they also need to fill in the tool’s specifics and, depending on the form of the tools, ‘calculate’ the outcome according to the guidelines by themselves. This,



in most cases, also includes that the outcome is not public and it is up to the companies to decide what actions they follow up on their outcome, if any. External assessment involves external consultants or research teams and includes, in some cases, field interviews in local communities. Examples are the Progress out of Poverty Index (PPI) and the Oxford Poverty Footprint as well as the HRIA (A Human Rights Impact Assessment Toolkit) which are externally assessed by NGOs. It is a very time-consuming process accompanied by relatively high costs. For these tools, it is also necessary to create a specific interview framework tailored to company, sector and country. The clear advantage of external assessment tools is that the outcome is very credible. They reflect reality and in case of the PPI companies receive a certificate which also makes the outcome automatically public.

Regarding industry sectors, it has to be mentioned that many corporations and organisations have developed their own social performance tools, like SEAT (which is only for the mining sector) but they sometimes lack accountability and transparency. The tools which actually include a differentiation of sectors (many do not) concentrate on the following sectors: health, environment, agriculture, food, energy, extraction (like mining, which includes raw materials), ICT/telecommunication, textile/homeware, financial service/finance/ microfinance/banking, pharmaceutical/chemical, construction/housing/community.

Another observation according to the size of companies and countries in which they operate could be made. Most tools can be used by any company (SMEs or MNCs), but they definitely all focus on MNCs. Most of the assessed tools do not specify if they are solely for use in Developed Countries (DC) or Countries of Low Development (LDC). They even give the impression that this is a less important factor, but it needs to be mentioned that the impact in developed countries can be expected to be tremendously different than in countries of low development according to onsite pre-conditions.

When it comes to assessing whether the tool evaluates impact of core business or philanthropy, it can be noticed that most tools assess 'everything the company does', meaning it is a mixture of both. In most cases, this includes some aspects and leaves others out. Many tools examined do not automatically give away what they actually assess. It can be further noticed that most tools work with something they call 'indicators'. In most cases, indicators are questions which have to be answered by estimation by ticking YES; NO, F/A (further assessment necessary), N/A (no data available). These tools include the negative aspects of not being very specific and the reliability of the outcomes can be questioned. However, they also include the positive aspects of being simple, easy to fill out, and not being time-consuming or cost-intensive. The essential question is what efforts companies are willing to make in order to have the impact evaluated.

Observations concerning supply chain, measurement of positive/negative impact and the assessment of what impact is actually evaluated could also be made. Supply chain is, unfortunately, in many cases not an important matter of impact assessment. However, the MDGscan specifically mentions evaluation of the whole value chain as do the tools which can be summarised as external assessment tools. There are tools with the sole purpose of supply chain evaluation, like CSRware-SSC, but they are costly which also means they do not give away how they exactly

proceed. All these tools have in common that the buyer wants to know about the performance of its suppliers. Questionable is how they proceed: Do they require from suppliers to engage in CSR reporting (which could be difficult for suppliers from low development countries) or do they demand data from suppliers or do they simply work with assumptions? In general, when it comes to supply chain assessment and supervision, so-called cloud-based tools work well. The same portal is used for buyers and suppliers alike and they fill the cloud with data according to their business and grant each other access to the data. Evaluation of the whole product life cycle, like cradle to cradle evaluation, is not mentioned once.

Most tools claim to assess positive and negative impacts, whereas negative impact is mostly equalized with zero impact. One human rights tool (HRIAM) solely evaluates negative impact. The question of which impact is evaluated is the most difficult to answer. There are only the MDGscan and the Global Compact Self-Assessment tool that address all eight MDGs by specifically naming them all. Nevertheless, it is noticeable that most tools incorporate the MDGs or at least focus on achieving some MDGs. Considering the debate of post-2015 MDGs, it is essential that the aspired concept of SDGs guarantee measurability. **The biggest problem with all tools proved to be that the goals are so vague and wide that impact measurement is difficult.** It has to be kept in mind that some information concerning the tools are just very vague and not enough detailed but the following list should picture what the main areas addressed concerning impact evaluation are (arranged according to importance for companies):

- MDG7 (environmental sustainability)
- Human Rights
- Anti-Crime/Safety/Safety of goods/products/Risk and Crime management
- MDG3 (gender equality and empowerment of women)
- Jobs/labour/income
- Health/healthy food/health of workforce
- Corporate governance/Anti-Corruption/Transparency
- MDG1 (eradicate poverty and hunger)
- Child labour/forced labour
- Water/Sanitation
- MDG2 (primary education)
- MDG6 (combat HIV/AIDS, malaria and other diseases)
- MDG8 (global partnership for development)
- Life satisfaction/work-life balance
- MDG4 (reduction of child mortality)
- MDG5 (improvement of maternal health)
- Economic, social, environmental sustainability
- Education/literacy/training/human capital
- Living standard/housing
- Civic engagement/community relations
- Supply chain management
- Social infrastructure

Some aspects of the outcomes of all these tools have been mentioned already; nevertheless an inclusive summary is necessary: As pointed out, all online modules use so-called indicators which are basically questions of all areas which in most cases need to be answered by estima-



tion. In case of the MDG scan, the GIIRS, and the LBG Model, companies need to insert hard facts (company size, country of operation, cash, time, management costs, project costs...) and in addition they need to answer indicators. In general, the outcomes of all these tools are more or less the same: either in form of a report/excel sheet/summary or by showing how many beneficiaries there are or how many stars have been achieved – it shows that, in certain areas, the company is on track according to Global Compact, MDG, International Human Rights Law or any other Code of Conduct they signed themselves up for and, on other areas, further measures need to be taken. There are no obligations or exact numbers or measures involved. In general, it can be noticed that there are numerous consultancies offering help for the proper use of different tools in order to evaluate the impact a company has.

As the MDGs have proven to be the most used guideline for sustainable business behaviour, **the post-2015 development is essential for companies**. The SDGs need to include goals which are concrete and they need to provide indicators for real impact measurement. In the process of the SDG development, an increasing inclusion of the private sector should be envisaged and the involvement of the private sector will be key to reach sustainable development worldwide. Therefore, impact measurement tools will increase in importance.

## Annex 1: Official list of MDG indicators

**All indicators should be disaggregated by sex and urban/rural as far as possible.  
Effective 15 January 2008**

Millennium Development Goals (MDGs)	
Goals and Targets	Indicators for monitoring progress
<b>Goal 1: Eradicate extreme poverty and hunger</b>	
Target 1.A: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day	1.1 Proportion of population below \$1 (PPP) per day 1.2 Poverty gap ratio 1.3 Share of poorest quintile in national consumption
Target 1.B: Achieve full and productive employment and decent work for all, including women and young people	1.4 Growth rate of GDP per person employed 1.5 Employment-to-population ratio 1.6 Proportion of employed people living below \$1 (PPP) per day 1.7 Proportion of own-account and contributing family workers in total employment
Target 1.C: Halve, between 1990 and 2015, the proportion of people who suffer from hunger	1.8 Prevalence of underweight children under-five years of age 1.9 Proportion of population below minimum level of dietary energy consumption
<b>Goal 2: Achieve universal primary education</b>	
Target 2.A: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling	2.1 Net enrolment ratio in primary education 2.2 Proportion of pupils starting grade 1 who reach last grade of primary 2.3 Literacy rate of 15-24 year-olds, women and men
<b>Goal 3: Promote gender equality and empower women</b>	
Target 3.A: Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015	3.1 Ratios of girls to boys in primary, secondary and tertiary education 3.2 Share of women in wage employment in the non-agricultural sector 3.3 Proportion of seats held by women in national parliament
<b>Goal 4: Reduce child mortality</b>	
Target 4.A: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate	4.1 Under-five mortality rate 4.2 Infant mortality rate 4.3 Proportion of 1 year-old children immunised against measles
<b>Goal 5: Improve maternal health</b>	
Target 5.A: Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio	5.1 Maternal mortality ratio 5.2 Proportion of births attended by skilled health person-
Target 5.B: Achieve, by 2015, universal access to reproductive health	5.3 Contraceptive prevalence rate 5.4 Adolescent birth rate 5.5 Antenatal care coverage (at least one visit and at least four visits)

<b>Goal 6: Combat HIV/AIDS, malaria and other diseases</b>	
Target 6.A: Have halted by 2015 and begun to reverse the spread of HIV/AIDS	<p>6.1 HIV prevalence among population aged 15-24 years</p> <p>6.2 Condom use at last high-risk sex</p> <p>6.3 Proportion of population aged 15-24 years with comprehensive correct knowledge of HIV/AIDS</p> <p>6.4 Ratio of school attendance of orphans to school attendance of non-orphans aged 10-14 years</p>
Target 6.B: Achieve, by 2010, universal access to treatment for HIV/AIDS for all those who need it	6.5 Proportion of population with advanced HIV infection with access to antiretroviral drugs
Target 6.C: Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases	<p>6.6 Incidence and death rates associated with malaria</p> <p>6.7 Proportion of children under 5 sleeping under insecticide-treated bednets</p> <p>6.8 Proportion of children under 5 with fever who are treated with appropriate anti-malarial drugs</p> <p>6.9 Incidence, prevalence and death rates associated with tuberculosis</p> <p>6.10 Proportion of tuberculosis cases detected and cured under directly observed treatment short course</p>
<b>Goal 7: Ensure environmental sustainability</b>	
Target 7.A: Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources	<p>7.1 Proportion of land area covered by forest</p> <p>7.2 CO2 emissions, total, per capita and per \$1 GDP (PPP)</p> <p>7.3 Consumption of ozone-depleting substances</p> <p>7.4 Proportion of fish stocks within safe biological limits</p>
Target 7.B: Reduce biodiversity loss, achieving, by 2010, a significant reduction in the rate of loss	<p>7.5 Proportion of total water resources used</p> <p>7.6 Proportion of terrestrial and marine areas protected</p> <p>7.7 Proportion of species threatened with extinction</p>
Target 7.C: Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation	<p>7.8 Proportion of population using an improved drinking water source</p> <p>7.9 Proportion of population using an improved sanitation facility</p>
Target 7.D: By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers	7.10 Proportion of urban population living in slums

<b>Goal 8: Develop a global partnership for development</b>	
Target 8.A: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system	Some of the indicators listed below are monitored separately for the least developed countries (LDCs), Africa, landlocked developing countries and small island developing States.
Includes a commitment to good governance, development and poverty reduction – both nationally and internationally	Official development assistance (ODA)
Target 8.B: Address the special needs of the least developed countries	8.1 Net ODA, total and to the least developed countries, as percentage of OECD/DAC donors' gross national income
Includes: tariff and quota free access for the least developed countries' exports; enhanced programme of debt relief for heavily indebted poor countries (HIPC) and cancellation of official bilateral debt; and more generous ODA for countries committed to poverty reduction	8.2 Proportion of total bilateral, sector-allocable ODA of OECD/DAC donors to basic social services (basic education, primary health care, nutrition, safe water and sanitation)
Target 8.C: Address the special needs of landlocked developing countries and small island developing countries	8.3 Proportion of bilateral official development assistance of OECD/DAC donors that is untied
	8.4 ODA received in landlocked developing countries as a proportion of their gross national incomes
	8.5 ODA received in small island developing States as a proportion of their gross national incomes
	Market access
	8.6 Proportion of total developed country imports (by value and excluding arms) from developing countries and least developed countries, admitted free of duty
	8.7 Average tariffs imposed by developed countries on agricultural products and textiles and clothing from developing countries
	8.8 Agricultural support estimate for OECD countries as a percentage of their gross domestic product
	8.9 Proportion of ODA provided to help build trade capacity
	Debt sustainability
	8.10 Total number of countries that have reached their HIPC decision points and number that have reached their HIPC completion points (cumulative)
	8.11 Debt relief committed under HIPC and MDRI Initiatives
	8.12 Debt service as a percentage of exports of goods and services
Target 8.E: In cooperation with pharmaceutical companies, promote access to affordable essential drugs on a sustainable basis	8.13 Proportion of population with access to affordable essential drugs on a sustainable basis
Target 8.F: In cooperation with the private sector, make available the benefits of new technologies, especially information and communications technologies	8.14 Fixed telephone lines per 100 inhabitants
	8.15 Mobile cellular subscriptions per 100 inhabitants
	8.16 Internet users per 100 inhabitants

Source: MDG targets, subtargets and indicators:

<http://mdgs.un.org/unsd/mdg/Resources/Attach/Indicators/OfficialList2008.pdf>; 27.02.2013

The Millennium Development Goals and targets come from the Millennium Declaration, signed by 189 countries, including 147 heads of State and Government, in September 2000 (<http://www.un.org/millennium/declaration/ares552e.htm>) and from further agreement by member states at the 2005 World Summit (Resolution adopted by the General Assembly - A/RES/60/1, <http://www.un.org/Docs/journal/asp/ws.asp?m=A/RES/60/1>). The goals and targets are interrelated and should be seen as a whole. They represent a partnership between the developed countries and the developing countries "to create an environment – at the national and global levels alike – which is conducive to development and the elimination of poverty.

For monitoring country poverty trends, indicators based on national poverty lines should be used, where available.

The actual proportion of people living in slums is measured by a proxy, represented by the urban population living in households with at least one of the four characteristics: (a) lack of access to improved water supply; (b) lack of access to improved sanitation; (c) overcrowding (3 or more persons per room); and (d) dwellings made of non-durable material.

## Annex 2: The ten principles of the UN Global Compact

### Human Rights:

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

### Labour Standards:

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour [sic!];

Principle 5: the effective abolition of child labour [sic!]; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

### Environment:

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

### Anti-Corruption:

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.<sup>2</sup>

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<sup>2</sup> United Nations (n.d.) b: 10 Principles of the UN Global Compact. <http://www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/index.html> [access: 03/28/13]

## Annex 3: Assessment criteria

The aim of this case study is to evaluate tools on the market which concentrate on assessment of sustainable business behaviour. The tools have been assessed according to the following criteria:

### Target group

Sustainable development or MDG measurement tools are clearly used by companies themselves. Nevertheless, there are some tools which work with an assessment method carried out by external experts. As it is in the strong interest of companies to have proof of their responsible behaviour, they use the outcome to increase reliability and add to transparency.

### Size of companies (MNCs or SMEs)

Many tools differentiate in their target group between different sizes of companies. Multinational companies (MNCs) have a higher level of impact and they are more likely to do business with international backgrounds with varying social development standards as well as in countries of low development where the achievement of sustainable development and MDGs is most aspired. Small and medium sized enterprises (SMEs) are also within the target group of some measurement tools.

### Sector

Furthermore, it has to be assessed whether there are tools specific for each sector or if there are same procedures with the same questions and indicators which apply for every sector. It can be expected that, due to preconditions and types of business, the efforts for sustainable development and MDGs are different according to sector and so are the actions taken.

### Impact along the value chain (cradle to cradle)

The question whether the tools measure the impact along the whole value chain is the most difficult one. It is a difficult subject to address, but essential. Further questions arise thereof, like 'Who's doing the evaluation of the whole value chain?' and 'Who's delivering the 'correct' information for a proper assessment?' Assessment of the whole value chain is, furthermore, complicated as not all companies feel responsible for the rightful behaviour of their suppliers not to mention for the waste management of their goods. Does the assessment tool give an insight into what happens before and after the product is at the company? Is cradle to cradle a concept taken into consideration?

### Core business/philanthropy

Another aspect within the assessment of all the tools available is whether companies evaluate the company's contribution towards sustainable development and MDGs through their core business actions or by sheer philanthropy. Companies acting sustainably and according to MDGs by their sole business actions would be more effective but, in general, it must be consid-

ered that some companies simply do not produce goods that are neither beneficial to sustainable development nor the MDGs and, therefore, philanthropic giving is their main contribution.

#### Reporting on results & certificates/labels

Another aspect of comparability is the outcome the measurement tool produces. Do the tools provide some certificate or label or do the tools provide a printable report with whatever outcome they offer? Companies want proof of how well they act and they are obliged to show their responsible behaviour to their shareholders and stakeholders. These tools address brand managers and CSR responsible persons in a company and they need proof of the company's good deeds.

#### Effort and costs

Another point of interest was whether the tools need a lot of time and money for the assessment and maintenance and whether they are useable for years to come, meaning if they take into consideration the future of MDGs and the post-2015 discussion on MDGs that will not be reached by 2015.

#### Developed countries/countries of low development

(According to the ranking of the [Human Development Index HDI](#) as stated in the [Human Development Report 2013](#) by the United Nations Development Programme.) Can the tools be used by companies that are doing business in developed countries or countries of low development or even both? Under the consideration that most companies have several operations and production sites in different countries all over the world this criterion defines the usability of the tool very much.

#### Channel: online tool/framework/guideline

The probably most interesting and biggest difference lies in the tool itself. It could be an 'online tool' with given layout, questions/indicators and the automatic calculation at the end. It might also be a 'framework' or some 'guideline' which offer the information on how to assess the impact; everything else has to be done by the companies themselves. Then there are alternative concepts like external assessment tools or platforms.

#### Outcomes: measuring positive/negative impacts and side effects

Do the tools measure positive or negative impacts of their business actions, or both? This is definitely an important element of discussion. Perhaps the assessment of negative impacts is not as easy as the assessment of positive impact as companies, in most cases, do not appreciate the need for handing-out information on their misdeeds.

#### Assessment cycles: repeatedly/onetime assessment

Another point of interest is whether the measurement or assessment of a company's actions to sustainable development is recommended to take place once a year every year or if there are tools for one-time assessment only. If it is a tool which provides useable results for companies, which is also easy in usage, companies will assess their impact every year more likely.

### Outcome verification/involvement of Non-Governmental Organisations (NGOs)

Especially for the tools which are of sole use within the company and where they fill in all the data themselves, some sort of validation level by experts could be appreciated. Thereby, it could be proven if the results and the information provided by the company are correct and according to facts. A further question is posed by the follow-up: Is there any improvement expected if the outcome may show some negative development of a company's actions and behaviour? Including NGOs in the assessment procedure would help in terms of credibility of the assessed outcome.



## Annex 4: Comprehensive list of existing measurement tools

Name	Short description
<b>Self-Assessment Tools</b>	
<b>Online Mask/Tool</b>	
<a href="#">MDG Scan</a>	MDGscan is an online tool which works with multipliers, meaning companies fill in the number of people directly positively influenced by its business operation and added by multipliers the tool assesses the total number of positively affected people. One of the view tools that concentrates on all MDGs, includes value chain, delivers report, give the possibility for all companies which used the tool to exchange experience within the online community.
<a href="#">Wildesoft Tools</a> Four online tools: <ul style="list-style-type: none"> <li>• Impact Manager</li> <li>• LM3 Supply Chain Manager</li> <li>• Impact Predictor</li> <li>• Social Tool Organizer</li> </ul>	Impact Manager: By use of the individual contract data it measures organisational performance against key performance indicators. LM3 Supply Chain Manager: Calculates an organisations economic impact on its communities and manages supply chains by identifying best and worst performing suppliers, tracking supplier performance across different contracts and over time and monitoring progress against targets quarterly, annually, or by project. Impact Predictor: For demonstrating indicative economic and employment impacts of their approach for the local economy providing a competitive advantage and an evidence base for community benefit. Social Tool Organizer: Matches procurement classification systems against a library of social clauses to maximise sustainability and community impact of procurements.
<a href="#">Social e-evaluator</a>	Social e-evaluator delivers web based software and expert knowledge that enables organisations to measure and manage social impact, based on the principles of Social Return on Investment (SROI). It represents social value in monetary terms. Since the investment in the social projects is typically monetary, the social value should be monetized as well. In this way, something can be said about how big the impact of the project has been relative to investments.
<a href="#">LBG Model</a>	The model also records the outputs and long-term community and business impacts of Corporate Community Investment projects online tool for companies to understand the total amount of cash, time and in-kind invested in the community. In an Excel toolkit the overall project input-output-impact is assessed by consolidated information in the sheet. Data can be used for major corporate responsibility indices (DJSI; GRI; CR Index)
<a href="#">Global Compact Self-Assessment Tool</a>	This self-assessment online tool is a package concentrating on Human Rights, Labour, Environment and Anti-Corruption. Questions have to be answered by estimation (Yes, No, F/A [further Information acquired], N/A [no answer can be made]) and the tool calculates the contribution towards achieving the 10 goals of the UN Global Compact.
<a href="#">LiSt Lives Saved Tool</a>	Online tool to estimate impact of different intervention packages (maternal, newborn and child health intervention) and coverage levels of the countries companies and organisations operate in to help prioritize investments and evaluate existing programs. Uses data from the UNICEF household survey as given data. Targets have to be filled in and the tool assesses impact for the whole time period of a project.

<a href="#">Inclusive Business Challenge</a>	It is an online tool to help companies and stakeholders identify and implement models that profitably engage low-income populations across companies' value chains and develop affordable products and services that meet the needs of low-income populations. It presents good practice examples, and suggests ways to integrate inclusive business into company strategy.
<a href="#">HRIAM Guide to Human Rights Impact Assessment</a>	Seven steps online questionnaire approach for the Identification of key human rights risks and impacts. Offers an interactive tool for engagement with stakeholder and to communicate with other users.
<a href="#">MoNA</a> (Monitoring Nachhaltigkeit)	By calculating a Materialrucksack the tool assesses impact focusing on environmental sustainability only.
<a href="#">GIIRS</a> (Global Impact Investing Rating System)	GIIRS comprises two branches: Company Impact Ratings and Fund Impact Ratings. Focusing on the first: A rating by 15 sub-categories and key performance indicators of the social and environmental impact of an individual company is made. After filling in the GIIRS assessment the document rating is uploaded and reviewed by a third party. 10% of companies are selected for on-site review. Companies receiving the 5 star rating on a scale from 1 to 5 are granted a BCorp Certificate (sole use in America).
<a href="#">Human Rights Matrix</a>	This learning tool should enable companies to review their human rights performance by identifying its policies on human rights and the approaches it has taken towards them. This snap-shot of performance helps to get familiar with the human rights expectations in the business and delivers feedback on potential areas of concern.
<a href="#">Human Rights Compliance Assessment</a>	By making use of a database of 195 questions and 947 indicators the tool detects human rights risks in company operations and their impact on all stakeholders. It is possible for companies to develop a tailored assessment tool by picking questions based on country risk and features of the company operation. In the final report areas of compliance and non-compliance are listed by score which allows tracking and comparison over time.
<a href="#">Accountability Measures</a>	The tool deals with organisation's accountability issues. The Non-profit Risk Management Centre in addition offers several risk management online tools like: My Financial Management Plan, My Risk Management Policies, My Risk Management Plan, Free Risk Management Tutorials, Accident Response, Basic Risk Management, Business Continuity Planning, Volunteer Risk Management and Workplace Safety.
<a href="#">UN Global Compact Quick Self-Assessment and Learning Tool</a>	For the assessment of a company's supply chain sustainability strategy against suggested global guidance this basically simple to use tool is recommended. The outcome is a simple analysis of the 6 questions and then offers several guidelines and ideas on how to follow up on the outcome and how to improve the supply chain sustainability efforts.
<a href="#">Partnership Assessment Tool (PAT)</a>	Tool to foster collaborations between UN and companies. It demonstrates the sustainability performance of partnership projects and gives an indication of their potential developmental value. The tool further helps guide decision-making and project planning. The outcome is easy to understand - triangle, circle, and star in different colours means negative, positive or excellent. For the actually impact evaluation the use of the MDGscan is recommended.
<a href="#">Retail Supply Chain Portal</a> WerCSHELP tool GreenWERCS tool	These tools concentrate on the retailer who can choose whether to buy goods/products because it guarantees sustainability. WerCSHELP (Health and Environmental Library for Products) gives retailers access to complete data on all chemical-containing products. The chemical-screening tool GreenWERCS analyses the composition of individual

	products from ingredient data entered by manufacturers, examining its potential impact on human health and environment and plotting its combined score. Manufacturers are also able to see how their types of products stack up to the buyers internal sustainability goals which give incentives for innovation.
<b>Online Platforms</b>	
<a href="#">CSRware-SSC</a>  sustainable supply chain	Tool for the buyer who wants to assess the supplier's performance on CSR. Software helps to evaluate and benchmark how suppliers affect a company's sustainability performance. Scores and ranks suppliers by a variety of metrics and offers a track program to address sustainability expectations and goals.
<a href="#">SIM</a> - Arcus Supplier Information Management system	Companies create the platform for suppliers which they invite to fill in data. This way the buyer company is able to monitor how all suppliers are doing and how they are performing according to their sustainable behaviour. SIM is not a platform with the effort of monitoring suppliers' core business performance - a supplier management platform
<a href="#">Supplier Portal</a>	Online platform which allows suppliers and their buyers to share and monitor environment, labour, health and safety, anti-bribery and corruption information. The portal includes a data wizard for suppliers to record and calculate carbon, waste and water footprints based on business consumption. Supplier gives access to the buyers and thereby gives access to all information gathered.
<a href="#">HRIA A Human Rights Impact Assessment Toolkit</a>	HRIA is a platform which provides different frameworks with indices an 8 step and self-assessment questionnaires for the assessment of the current human right situation, political contextual analyses and development of view of desired situation.
<a href="#">Human Rights Impact Assessment</a>	A platform which provides different tools and instruments. There are many different tools and instruments available – only the ones necessary and helpful should be used.
<b>Online tools which create country profiles</b>	
<a href="#">MDG monitor</a>	The tool shows which MDGs are in which country at hazard shown in an interactive world map and how they are developing within the MDG framework. The MDG Monitor showcases existing UN data. Country-level assessments of progress by goal ("Very likely to be achieved", "Possible to achieve", etc.), are derived primarily from national MDG reports.
<a href="#">Maplecroft Tools</a>	This online tool offers a questionnaire for human rights, environment and labour. The outcome shows in percent how good/bad the company does in one sector. The tool follows guidelines by the Global Compact.
<a href="#">OECD Better Life Index</a>	The country index online tool is designed to visualise and compare eleven key factors that contribute to well-being in OECD countries. It's an interactive tool which allows to see how countries perform according to the importance one gives to each of the eleven topics that make for a better life.
<a href="#">ORBIT</a> • ORBIT companies online database • ORBIT country online database	The ORBIT company's online database enables direct access to the detailed information contained in the oekom Corporate Ratings of over 1,000 companies. The companies are analysed and evaluated against up to 100 social and environmental criteria, selected specifically for each industry. ORBIT Countries offers companies the opportunity to familiarise themselves with the social and environmental conditions in countries in which they are planning to operate.

<a href="#">OECD Risk Awareness Tool</a> Tool for Multinational Enterprises in Weak Governance Zones	The tool aims to help companies which invest or do business in countries where governments are unwilling or unable to take on their responsibilities. It basically offers a set of questions which should be considered before doing business in countries of high risk.
<a href="#">Corruption Perception Index</a>	The index measures the alleged levels of public sector corruption in 176 countries and territories around the world. The tool works with surveys and assessments of corruption reported by a variety of reputable institutions. Thereby it relies on the views of analysts, businesspeople and experts in countries around the world.
<a href="#">Bribe Payers Index</a>	The index ranks the likelihood of private sector companies from world's wealthiest countries to secure business abroad by paying bribes. The index relies on results of a survey of over 3000 senior business executives around the world covering their perceptions of the likelihood of companies to engage in bribery when doing business in their country.
<a href="#">Global Corruption Barometer</a>	The barometer is the outcome of a worldwide public opinion survey on people's views and experiences of corruption. It detects the general public's views about corruption levels in their country as well as their governments' efforts to fight corruption. It also includes information as the frequency of bribery, reasons for paying a bribe in the past year, and attitudes towards reporting incidents of corruption.
<a href="#">AGI Data Portal</a> Actionable Governance Indicators Data Portal	Information on countries facing lack in good governance and corruption are consolidated e.g. by the Global Integrity Index (GI) and there are several customized tools for data management, analysis and display.
<a href="#">WGI project</a> Worldwide Governance Indicators	The WGI shows aggregate and individual governance indicators for 215 economies for six dimensions of governance: Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. The indicators combine the views of a large number of enterprise, citizen and expert survey respondents in industrial and developing countries.
<a href="#">Global Integrity Report</a>	Summarised in a tool and a report are the findings of examining e.g. transparency of the public procurement process, media freedom, asset disclosure requirements, conflicts of interest regulations in over 30 countries. By evaluating anti-corruption legal frameworks and the practical implementation and enforcement of those frameworks it takes a close look at whether citizen can effectively access and use anti-corruption safeguards. The Report is prepared by local researchers, journalists and academics.
<a href="#">Dashboard of Sustainability</a>	Shows the conditions companies are facing on site. It further shows in which countries MDGs could be achieved and how they are proceeding over time.
<b>Search Platforms for Tools</b>	
<a href="#">Trasi</a>	Platform for finding tools and methods to analyse and measure impact.
<a href="#">Larrge</a>	Platform of numerous human right tools.
<b>Frameworks and Guidelines</b>	
<a href="#">UNDP Company Level CSR Self-Assessment Tool</a>	The main component of the CSR assessment framework is a tailored questionnaire, consisting of 25 questions with mostly yes/no answering options. The questions are grouped under five overall categories: Governance, Environment, Labour, Community Relations, and Business Environment.

<a href="#">MFI Measuring Impact Framework Methodology</a>	The Framework is based on a four-step methodology that attempts to merge the business perspectives of its contribution to development with the societal perspectives of what is important in the country the business operates. Questions in four categories (Governance & Sustainability, Assets as Infrastructure and Products & Services, People as in Jobs and Skills & Training and Financial Flows need to be filled out assessing estimation of 'low/high importance'.
<a href="#">BellagioSTAMP</a> Sustainability Assessment and Measurement Principles	The Guidelines offer a set of eight high level principles covering the areas content, process, scope and impact. They are intended to guide the whole sustainability assessment process, including the choice and design of indicators as well as how they are interpreted and communicated. Assessment systems based on the principles are supposed to strengthen governance and to improve accountability in meeting sustainable development goals and targets.
<a href="#">CR Reporting</a> AccountAbility Reporting	By joint efforts with AccountAbility improved quality and usefulness of social sustainability reporting is the goal. A clear framework for assessing the needs of reporting organisations and for selecting assurance providers is provided. Stakeholder engagement is most important within the process of reporting.
<a href="#">OHCHR Guide</a> Human Rights Indicators: A Guide to Measurement and Implementation	The guide aims to assist in developing quantitative and qualitative indicators, in compliance with international human rights norms and principles, to measure progress in the implementation of international human rights norms and principles.
<a href="#">G3.1 Sustainability Reporting Guidelines</a>	This tool provides the framework for the GRI reporting package. For each GRI Report a context index (explained in 1.2.1) must be included with each GRI report.
<a href="#">Environmental Management Systems (EMS)</a>	A framework that helps a company achieve its environmental goals through consistent control of its operations. Each company's EMS is tailored to the company's business and goals and a company environmental policy has to establish for which serves as a foundation for EMS.
<a href="#">Assessing Development Impact</a>	Tool for measuring impact of development projects of the Inter-American Development Bank.
<a href="#">DJSI - Corporate Sustainability Assessment</a>	The tools focus is on the company's long term value creation for 58 different DJSI sectors (general criteria relating to standard management practices and performance measures such as Corporate Governance, Human Capital Development and Risk & Crisis Management are defined and applied to each of the 58 sectors). DJSI members are evaluated and analysed by SAM - Sustainability Assessments. The tool is only useful for DJSI members.
<a href="#">NONIE</a> - Guidance on Impact Evaluation	The document is structured around nine key issues that provide guidance on conceptualizing, designing, and implementing impact evaluation. It is a guide on how to evaluate. These guidelines are recommended by OECD, DAC and WB. Nonie is a network of networks for impact evaluation comprised of the DAC Evaluation Network, the United Nations Evaluation Group (UNEG) and the Evaluation Cooperation Group (ECG)
<a href="#">looi-Method</a> (input-output-outcome-impact-Method)	The guideline offers a planning and evaluation matrix to measure social engagement of companies by using an Input-Output-Outcome-Impact Model. Input indicates what efforts a company's needs to take up in order to realise its engagement (time, goods, philanthropic giving); Output are the actual measures which need to be realised; Outcome shows the effect on the target group; Impact shows the actual social impact.

<a href="#">Supply Chain Insight Tool (SCi)</a>	Guidelines with a comprehensive list of questions designed to help companies understand and improve their supply chain business practices. This customizable guide quantifies supply chain performance in all areas of sustainability and is intended to compliment a strictly performance-based formal audit.
<a href="#">IESIA Integrated Environmental and Social Impact Assessment Guidelines</a>	Approach for project assessment which covers the whole project cycle. The tool is solely for African Development Bank Projects, not for measuring impact of companies.
<a href="#">The Corporate ESR</a>	The Guide to Corporate Ecosystem Evaluation introduces concepts and principles of ecosystem evaluation and a guide therefore. It can be customized to fit to different sectors.
<b>Frameworks and Guidelines which focus on Sector Profiles</b>	
<a href="#">SEAT</a> Anglo American Socio Economic Assessment Toolbox	Guidelines only for use in the mining sector, specifically by AngloAmerican.
<a href="#">Corporate Water Footprint</a>	The tool evaluates supply chain water use and water use in terms of waste management.
<a href="#">Aqua Gauge</a>	The Aqua Gauge offers a comprehensive assessment tool for evaluating an existing water strategy or building one from the ground up. The excel sheet is supposed to help with water management.
<a href="#">Supplier Self-Assessment Questionnaire (SAQ)</a>	The questionnaire was designed with the industrial goods sector in mind. For use of those that are just beginning to address sustainability issues in their supply chains a 'conversation starter'.
<a href="#">Sustainable Procurement of Wood and Paper-Based Products</a>	The toolbox designed to help corporate managers understand and find the best advice on how to purchase products originating from the world's forests. The guide to the guides will help sustainability managers define and implement purchasing policies for the entire range of forest-based products.
<a href="#">RIMS Impact Management System</a>	Framework for measuring and reporting impact of projects in finance. This tool is merely for IFAD-supported country programmes.
<a href="#">Global Water Tool</a>	The tool compares companies' sites with water, sanitation, population and biodiversity information of a country. Tool compares how much water is available with the amount of water used/necessary by the company. The tool consists of two parts: 1) An Excel workbook for site location and water use data entry which will generate a water inventory. 2) An online mapping system enabling companies to plot their sites with external water datasets and download those locations in a map.
<b>External Assessment tools</b>	
<a href="#">Oxfam Poverty Footprint</a>	Combines local assessment of livelihood impacts, value chain analysis, and an assessment of economic contributions in one comprehensive approach. Assessment is carried out by independent research teams supported by the company and by an NGO. The research questionnaire is individual for each company and region. The onsite interviews take a long time and lots of resources are necessary.



<a href="#"><u>PPI Progress out of Poverty Index</u></a>	PPI is solely for the Microfinance Sector where it measures the likelihood of clients to fall below national poverty line. Microfinance Institute field staff visits the homes of clients and collect key information. The country living index then serves as a baseline of which client progress is measured. By tracking poverty levels against other client demographic information, the results of the PPI allow an MFI to make key decisions about its mission and how to carry it out. Well performing MFIs receive a PPI Certificate.
<a href="#"><u>SAM Corporate Sustainability Assessment</u></a>	Annual assessment based on online questionnaire of over 100 questions by an external assessment team. It provides a Company Benchmarking Report (CBR) for assessed companies and offers customized training and sustainability management solutions as well as national sustainability benchmarking. The results serve as the basis for the Dow Jones Sustainability Indexes (DJSI).
<a href="#"><u>COSA Methodology</u></a>	These guidelines for the farming/agricultural sector (coffee, cocoa...) provide a globally comparable set of indicators to quickly assess the extent of any farm's relative sustainability. The COSA tool is designed to be adapted to the national context with the support of local partners. In each target country COSA will work to train local actors in using COSA tools. The COSA team will work with at least 15 small-holder producer organizations over a three year period and will rely heavily on the foundations of in-country technical assistance networks and complementary initiatives.

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# Mapping Urban Sustainable Development in Europe and Beyond

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ESDN Case Study N°15



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# 1 Introduction

*This case study provides a mapping of various initiatives and programs on urban sustainable development (SD) in Europe and the international level. After introducing the topic of urban SD, the second chapter of this case study gives an overview of how urban sustainable development became an issue within the UN level and illustrates the most important UN institutions engaged in smart cities. The third chapter focuses on policy efforts on the EU level by illustrating policy strategies, implementation mechanisms, funding schemes, and tools and mechanisms that deal with urban sustainability. The fourth and final chapter provides an overview of some global and European city networks that focus on or include urban SD issues.*

**Why are urban areas so vital for delivering sustainable development?** The following facts taken from the “World Urbanisation Prospects: The 2011 Revision” by the United Nations Department of Economic and Social Affairs (UNDESA, 2012a) provide an answer:

- *Between 2011 and 2050, the world population is expected to increase by 2.3 billion, passing from 7.0 billion to 9.3 billion (UNDESA, 2011). At the same time, the population living in urban areas is projected to gain 2.6 billion, passing from 3.6 billion in 2011 to 6.3 billion in 2050. Thus, the urban areas of the world are expected to absorb all the population growth expected over the next four decades while at the same time drawing in some of the rural population.*
- *Most of the population growth expected in urban areas will be concentrated in the cities and towns of the less developed regions. Asia, in particular, is projected to see its urban population increase by 1.4 billion, Africa by 0.9 billion, and Latin America and the Caribbean by 0.2 billion.*
- *Overall, the world population is expected to be 67 per cent urban in 2050.*

By considering that population growth is becoming an urban phenomenon, it becomes clear that environmental burdens will consequently accumulate in densely populated urban areas. In terms of the environment, cities are responsible for 75% of the world's resources use and produce 80% of CO<sub>2</sub> emissions (Keiviani, 2009, p.9). As a consequence, urbanisation is exerting pressure on fresh water supplies, sewage, the living environment and public health. As far as the social aspect is concerned, 828 million people worldwide live in slums nowadays and the trend is rising. Hence, cities represent both worldwide challenges to be tackled, but also opportunities to be addressed (UN, 2013). For this reason, transforming cities into smart cities entails promising prospects on the implementation of sustainable development in the future.

These facts and challenges also entail potential for **transformational change towards sustainability** due to following reasons:

- concentration of economic activity,
- potential for social transformation,
- high levels of annual investment in infrastructure and buildings,

- nimble local governments,
- connection to surrounding rural and natural environments,
- ability to reduce eco-footprints by densification, and
- suitability for systems-based solutions (Revi and Rosenzweig, 2013).

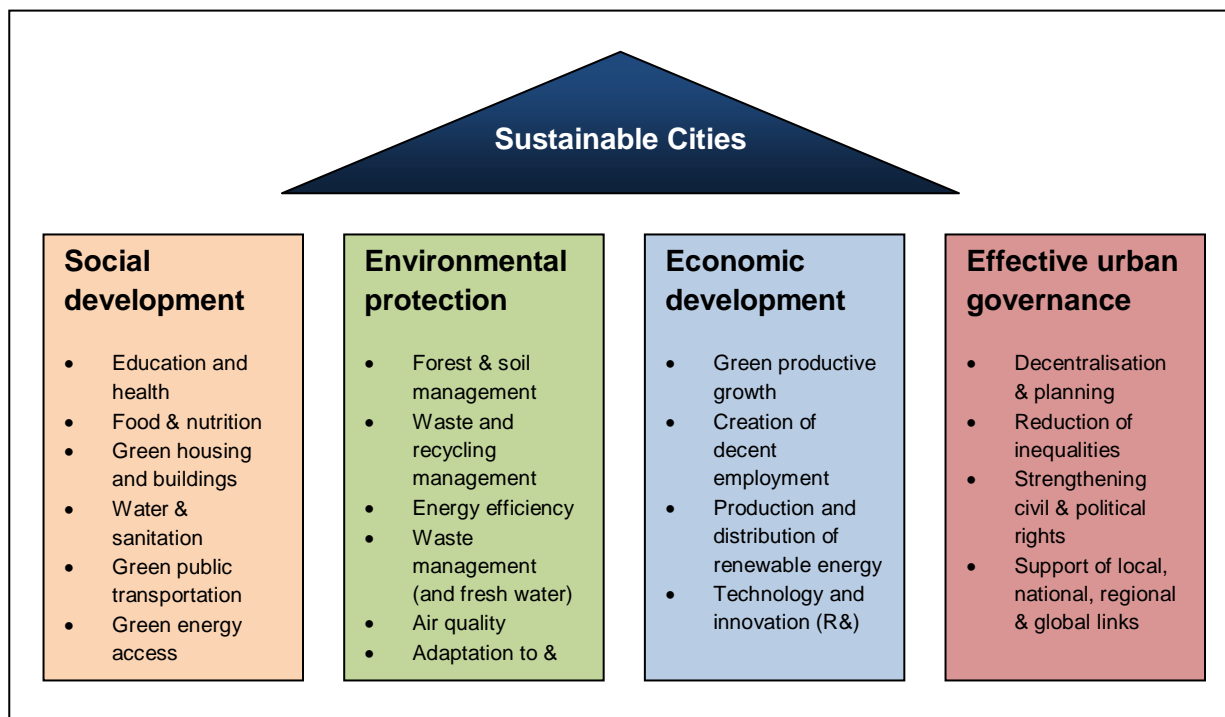
For the mentioned reasons, concepts of sustainable cities and urban SD have gained significant importance at the international scale where documents and initiatives address issues around waste, air quality management, transport, land use planning and energy with the aim of delivering sustainable development. Initiatives on sustainable development are often referred to as ‘smart cities’ interchangeably in documents, such as the Local Agenda 21, Brundtland Report, UN-Habitat Agenda etc. Regarding the delivery of sustainable development and the implementation of the concept of smart cities, all levels of governance have to be addressed ranging from the global to the local or urban perspective. Thereby, the importance of various governance levels should be identified.

In this case study, the approach to identify the contributions of **global and international governance** levels is twofold: on the one hand, the multi-level and vertical perspective on urban sustainability is mapped by addressing various international players dealing with urban sustainability. On the other hand, the horizontal and urban governance related to contents and topics are outlined by illustrating what is done by the relevant players. However, there is little certainty about how the delivery of sustainable development is implemented in single governance branches in practice and, therefore, this case study does not raise claim to completeness and is by no means exhaustive, but aims to map existing players and related initiatives (Bulkeley and Bestill, 2005).

In order to map the concept of sustainable cities and the involved areas of action, the following figure by UNDESA (2013) illustrates the four main pillars and the implicated topics of urban sustainability. The “sustainable city” is considered as a broad concept which covers a wide range of sectors comprised by the three main pillars of sustainable development, namely social development, environmental protection and economic development. Additionally, the fourth pillar identifies governing mechanisms in order to pursue sustainable development in urban areas.



## Pillars of Sustainable Cities



Source: UNDESA 2013

For more background on conceptual issues of urban SD, please see the [ESDN Quarterly Report No. 31](#) published in January 2014.

## 2 Mapping urban SD at UN Level

*This chapter provides an overview of international efforts on urban sustainable development. Due to the fact that the topic has been promoted as a desirable goal within a variety of diverse policy contexts, we firstly clarify what kind of UN bodies are dealing with urban sustainable development issues. Secondly, the Rio+20 Conference and its outcome document are presented as the most important point of references of sustainable cities for the future on the international level. Moreover, commitments before and after the Rio+20 Conference are illustrated as well as the major paragraphs of the Rio+20 Outcome document on sustainable human settlements are reviewed. Moreover, concrete initiatives of the major UN players are exemplified.*

Sustainable development is one of the major cornerstones within the UN system. Various UN institutions and initiatives capture the urban dimension of SD which highlights its crucial importance. Many documents, mechanisms, initiatives, policy briefs and even institutions are dealing with urban sustainability topics on the UN scale already since many decades. At the United Nations Conference on Sustainable Development (UNCSD), the Rio +20 Outcome Document was adopted. Four paragraphs on 'Sustainable Cities and Human Settlements' of this document set the stage for all further engagement in urban SD on the UN scale even though several commitments have been taken before the UNCSD. On the one hand, the **Sustainable Development Goals** build on the paragraphs on sustainable cities of the Rio+20 outcome document. On the other hand, **UN-HABITAT** is the lead institution responsible for implementing the Rio+20 contents on sustainable cities, besides UN DESA, UNEP and UN Global Compact.

### 2.1 Pre-Rio+20 Era

In preparation of the Rio+20 Conference in 2012, the UNCSD Secretariat elaborated one briefing document on sustainable cities with the aim of providing a fact sheet on sustainable cities. Thereby, international commitments were addressed which included urban issues in their agenda. They comprise Agenda 21 (1992), MDG 7 (2001), Johannesburg Plan of Implementation (2002), Istanbul Declaration (2008), Earth Summit 1992, Plan of Action on Subnational Governments (2011), Cities and Other Local Authorities for Biodiversity (2011-2012). Even though the issues addressed in these documents are not new, they are still of major concern nowadays, and comprise air quality, transport, clean domestic energy and challenges, such as sanitation, sewage, slums and many others (UNCSD Secretariat, 2012).

The table below gives an overview on some of the most relevant commitments related to sustainable urbanisation taken before the Rio+20 outcome document. The source of the table is based on the Rio 2012 Issues Briefs prepared by the UNCSD Secretariat (2012).

DOCUMENT	RELEVANT CHAPTER	EXAMPLES OF TARGETS
<a href="#">Johannesburg Plan of Implementation (1992)</a>	Chapter II Poverty Eradication	Improve lives of at least 100 million slum dwellers
<a href="#">UN Habitat Agenda (1996)</a>	B 42-43 Sustainable Human	Adequate shelter for all and

DOCUMENT	RELEVANT CHAPTER	EXAMPLES OF TARGETS
	Settlements	sustainable human settlements development in an urbanised world
<a href="#">Agenda 21 (1992)</a>	Chapter 7: Promoting Sustainable Human Settlement Development	Promoting the integrated provision of environmental infrastructure: water, sanitation and waste management; Promoting sustainable energy and transport systems
<a href="#">MDG (2000)</a>	MDG 7: Ensure Environmental Sustainability	Addressing slum dwellers and access to safe drinking water and basic sanitation

In the following section, we are looking more closely to the Agenda 21 and MDGs because their implementation still impact today's international decision making. The Agenda 21 was adopted by more than 178 states and is still on the agenda of many governments. MDGs built the foundation for today's discussion on SDGs.

**The Agenda 21** deserves special attention because it still serves as an action agenda for a variety of governance bodies ranging from UN level to individual governments including other multilateral organisations. It can be applied around the world at local, national and global levels. It is a comprehensive action plan with global, national and local considerations set up by organisations of the UN System, governments, and major groups in every area in which humans have impacts on the environment. Local Agenda 21 is the result of Agenda 21 which was decided at the UN Conference on Environment and Development held in Rio de Janeiro in 1992. The "local" refers to the municipal implementation of Agenda 21 (UNDESA, 2013 a).

**Chapter 7 of Agenda 21** deals with "**Promoting Sustainable Human Settlement Development**" and provides objectives, programme areas, activities and means of implementation around the topic of human settlements. The following aspects point out the **most important objectives** of the document:

- improve the social, economic and environmental quality of human settlements and the living and working environments of all people, in particular the urban and rural poor (paragraph 7.8);
- ensure sustainable management of all urban settlements, particularly in developing countries, in order to enhance their ability to improve living conditions of residents (paragraph 7.15);
- provide for the land requirements of human settlement development through environmentally sound physical planning and land use (paragraph 7.28);
- ensure the provision of adequate environmental infrastructure facilities in all settlements by the year 2025 (paragraph 7.38);
- adopt policies and technologies and to exchange information on them in order to enable the construction sector to meet human settlement development goals (paragraph 7.68);

- improve human resource development and capacity-building in all countries by enhancing the personal and institutional capacity of all actors, particularly indigenous people and women, involved in human settlement development (paragraph 7.76) (UN, 1992).

Europe has led the way in realizing **Local Agenda 21 (LA 21) initiatives**. Since 1992, more than 5,000 European communities have launched LA 21 initiatives. However, they are marked by national differences in the rate at which LAs 21 are implemented. Following the Rio Conference in 1992, the **“European Campaign for Sustainable Cities and Towns”** has been launched in Aalborg in 1994. On the basis of the Rio Agenda 21, the issue of realisation at the local level was treated in greater details and specifically for Europe. The final document, the **Aalborg Charter**, has since been signed by several thousand European communities that have thus committed themselves to realizing Local Agenda 21 processes.

Regarding the Millennium Development Goals, they have been established in order to accelerate development in the world’s poorest countries. Please find them in the following table:

Goal 1	Eradicate Extreme Poverty and Hunger
Goal 2	Achieve Universal Primary Education
Goal 3	Promote Gender Equality and Empower Women
Goal 4	Reduce Child Mortality
Goal 5	Improve Maternal Health
Goal 6	Combat Aids/HIV and other Diseases
Goal 7	Ensure Environmental Sustainability
Goal 8	Develop a Global Partnership For Development

The **7th MDG** takes reference to urban areas by setting the target that by 2015 (with the two sub paragraphs 7C and 7D): the proportion of the population without sustainable access to safe drinking water and basic sanitation should be halved (7C), and by 2020 a significant improvement in the lives of at least 100 million slum dwellers should be achieved (7D).

## 2.2 Rio+ 20 Conference and Outcomes Document

Finally, in 2012, the **United Nations Conference on Sustainable Development (UNCSD) Rio+20** addressed implementing measures for sustainable development in the **political outcome document ‘The Future We Want’**. The document devotes four paragraphs to ‘Sustainable cities and human settlements’ within the fifth chapter of ‘Framework for action and follow-up’.

In the boxes below, please find the paragraphs of the Rio+20 Outcome Document in their full length. The text is directly taken from the original document, but the bolds are added in order to emphasise the contents of the case study and the multi-level governance approach required for urban SD.

**Sustainable cities and human settlements** (Source: UNCSD, 2012)

134. We recognize that, if well planned and developed including through integrated planning and management approaches, **cities can promote economically, socially and environmentally sustainable societies**. In this regard, we recognize the **need for a holistic approach** to urban development and human settlements that provides for affordable housing and infrastructure and prioritizes slum upgrading and urban regeneration. We commit to work towards improving the quality of human settlements, including the living and working conditions of both urban and rural dwellers in the context of poverty eradication so that all people have access to basic services, housing and mobility. We also recognize the need for conservation as appropriate of the natural and cultural heritage of human settlements, the revitalization of historic districts, and the rehabilitation of city centers.

136. We emphasize the importance of increasing the number of metropolitan regions, cities and towns that are **implementing policies for sustainable urban planning and design** in order to respond effectively to the expected growth of urban populations in coming decades. We note that sustainable urban planning benefits from the **involvement of multiple stakeholders** as well as from full use of information and sex-disaggregated data including on demographic trends, income distribution and informal settlements. We recognize the **important role of municipal governments** in setting a vision for sustainable cities, from the initiation of city planning through to revitalization of older cities and neighbourhoods, including by adopting energy efficiency programmes in building management and developing sustainable locally appropriate transport systems. We further recognize the importance of mixed use planning and of encouraging non-motorized mobility, including by promoting pedestrian and cycling infrastructures.

135. We commit to **promote an integrated approach to planning and building sustainable cities and urban settlements**, including through supporting local authorities, increasing public awareness and enhancing participation of urban residents, including the poor, in decision making. We also commit to promote sustainable development policies that support inclusive housing and social services; a safe and healthy living environment for all, particularly children, youth, women, elderly and disabled; affordable and sustainable transport and energy; promotion, protection and restoration of safe and green urban spaces; safe and clean drinking water and sanitation; healthy air quality; generation of decent jobs; and improved urban planning and slum upgrading. We further support sustainable management of waste through the application of the 3Rs (reduce, reuse and recycle). We underline the importance of considering disaster risk reduction, resilience and climate risks in urban planning. We recognize the efforts of cities to balance development with rural regions.

137. We recognize that **partnerships among cities and communities play an important role** in promoting sustainable development. In this regard, we stress the need to strengthen existing cooperation mechanisms or platforms, partnership arrangements and other implementation tools to advance the coordinated implementation of the UN Habitat Agenda with active involvement of all relevant UN entities and with the overall aim of achieving sustainable urban development. We further recognize the continuing need for adequate and predictable financial contributions to the UN Habitat and Human Settlements Foundation so as to ensure timely, effective and concrete global implementation of the Habitat Agenda.

## 2.3 Rio+20 Follow-Up Actions

After the Rio+20 conference, the UN member states took initiative to develop a set of [Sustainable Development Goals \(SDGs\)](#). These goals should build upon the [Millennium Development Goals](#) (MDGs) and converge with the [post-2015 Development Agenda](#). The aim of establishing SDGs was to develop a transparent and intergovernmental process open to all stakeholders with a view to developing global SDGs. In the Rio+20 outcome document, UN member states agreed that SDGs must be based on Agenda 21 and the Johannesburg Plan of Implementation and have to be coherent with and integrated in the UN development agenda beyond 2015. Yet, the focus of SDGs shall not divert from the achievement of the MDGs. Regarding the development of SDGs, a UN General Assembly Open Working Group has been established to work on proposals for the new goals. This intergovernmental process runs parallel to a UN Secretary-General led process on the Post 2015 Development Agenda (UN Sustainable Development Knowledge Platform, 2013).

### SDGs

The process of arriving at a **SDG framework and a post-2015 Development Agenda** is Member State-led, with broad participation from a variety of stakeholders with the UN Secretary-General providing overall leadership to the process on post-2015 Development Planning. Supportive actions are also provided by the [Sustainable Development Solutions Network \(SDSN\)](#) which is a global, independent network of research centres, universities and technical institutions that works with stakeholders including business and civil society, UN agencies and other international organizations. The network comprises a Thematic Group on Sustainable Cities and launched the campaign on an [urban SDG](#). Furthermore the **UN Global Compact** makes contributions by involving views and contributions businesses and the private sector feed into the post-2015 Development Agenda.

#### Sustainable Cities Thematic Group

For further information on the [Sustainable Cities Thematic Group](#):

- It offers an interwoven solutions framework to achieve sustainable development for all
- promotes cities that are environmentally sustainable, socially inclusive, economically productive and resilient , it explores cross-cutting solutions that address constraints across multiple sustainable development themes: ending urban poverty, enabling a demographic transition, enhancing human well being, enabling food and nutrition security, enabling quality access to infrastructure and basic services, addressing climate change, promoting economic and social inclusion, enhancing governance etc.
- launched the campaign ‘[Why the world needs an urban sustainable development goal](#)’ with aims such as educate and focus attention on urgent urban challenges and future opportunities, Mobilize and empower all urban actors around practical problem solving etc
- Campaign is prepared by the SDSN Thematic Group on Sustainable Cities and supported by UN-Habitat, UCLG, Cities Alliance and ICLEI

Source: Sustainable Development Solutions Network, 2013



Overall, **SDGs** are envisaged to be an international framework that will enable countries to better target and monitor progress across all three dimensions of sustainable development in a coordinated and holistic way, also taking reference to urban areas. The target of SDGs is their applicability to all countries, regardless of their level of development. In December 2012, UN-Habitat proposed an **SDG on Sustainable Cities and Human Settlements** which stresses the crucial role of urban sustainability in the development of SDGs. The proposition's overall goal is to promote cities that are environmentally sustainable, socially inclusive, economically productive and resilient (UN-HABITAT, 2012).

The following paragraphs focus on implementation processes of the Rio+20 paragraphs on Human Settlements and Sustainable Cities by presenting several UN Bodies engaging in urban sustainable development and related initiatives. Hereby, the main institution responsible for the implementation of Rio+20 paragraphs on Human Settlements and Sustainable Cities is UN-Habitat.

### UN-HABITAT

The [United Nations Human Settlements Programme \(UN-HABITAT\)](#), is the United Nations lead agency for human settlements. It is mandated by the UN General Assembly and has the mission is to promote socially and environmentally sustainable towns and cities with the goal of providing adequate shelter for all. The main documents outlining the mandate of UN-HABITAT are the [Vancouver Declaration on Human Settlements \(1976\)](#), [Habitat Agenda \(1996\)](#), [Istanbul Declaration on Human Settlements \(1996\)](#), the [Declaration on Cities and Other Human Settlements in the New Millennium \(2001\)](#), and [Resolution 56/206 \(2002\)](#) (UN-HABITAT, 2013a).

The organisation's focus lies within urban areas in developing countries putting an emphasis on poverty and sanitation issues. Its initiatives range from projects and reports to programmes in cooperation with other UN bodies. The source document on urban governance of UN-HABITAT dates back to the year 1999 and carries the title ["The Global Campaign on Urban Governance"](#).

To address urban SD challenges, UN-HABITAT's Governing Council in 2005 asked the agency to prepare a Medium-Term Strategic and Institutional Plan. The vision of the plan is to help create by 2013 "the necessary conditions for concerted international and national efforts to minimize the growth of slums and to set the stage for the subsequent reduction in and reversal of the number of slum dwellers". The plan's overall strategic goal is to support governments and their development partners to achieve more sustainable urbanization. It aims to promote policy and institutional reform in order to have impacts at the appropriate scale. The key cross-cutting issues of the plan are (i) gender, (ii) youth, and (iii) response to human settlements in crisis, all of which feature prominently in the first five focus areas of the plan. There are several focus areas in the Medium-Term Strategic and Institutional Plan, each of which has a plan of action: effective advocacy, monitoring and partnerships; participatory planning, management and governance; access to land and housing for all; environmentally sound basic urban infrastructure; and strengthened human settlements finance systems (UN-HABITAT, 2013b).

Moreover, UN-HABITAT has currently 5 priority themes: governance; environmental planning and management; urban economy; education, training and research; and urban planning. UN-Habitat's initiatives on these themes include projects<sup>1</sup> (e.g. Local Government Association And Urban Development Capacity Building Project in Iraq and Governance And Development Support Programme in Afghanistan) to reports<sup>2</sup> (e.g. UN-HABITAT Climate Change Strategy 2010-2013 to programmes made in cooperation with other UN bodies (e.g. Sustainable Urban Development Network, Best Practices and Local Leadership etc.) (UN HABITAT, 2013c).

Yet, UN-HABITAT runs a series of strategic programmes designed to help make cities safer, to bring relief in countries suffering the aftermath of war or natural disasters, and promote sustainable cities and good governance. Examples comprise:

- **HABITAT UNI** (the Habitat University Network Initiative) is UN-Habitat's network for academia/research partners. The network aims to strengthen cooperation between UN-Habitat and institutions of higher education, encouraging collaborative learning and for universities to become closer partners of cities, actively engaged in problem solving that closes the gap between academics and practitioners.
- **Sustainable Urban Development Network** has the vision is to contribute to livable, productive and inclusive cities which embrace social harmony, economic vitality and environmental sustainability, and supports the implementation of the UN Medium Term Strategic and Institutional Plan (2008-2013), an organizational response to global trends in urbanization. It is designed to support poverty reduction strategies and the wider national development strategies, through interactions with global, regional, national and city actors.
- **Global Urban Observatory** monitors global progress in implementing the Habitat Agenda and to monitor the global urban conditions and trends. The programme addresses the urgent need to improve the world-wide base of urban knowledge by supporting Governments, local authorities and organizations of the civil society develop and apply policy-oriented urban indicators, statistics and other urban information.
- Under the **Urban Management Programme**, an initiative of United Nations Development Programme, UN-HABITAT, the World Bank and various bilateral donors cover thematic areas such as: urban management in the fields of participatory urban governance, urban poverty alleviation, environmental management, and the dissemination of this information at the local, national and regional levels. It was established in 1986 and went until 2006. Its explicit focus is on activities that aim to improve living conditions of the urban poor.

Besides the mentioned programmes, the work of UN-HABITAT also covers a wide range of topics in the areas of urban development and management, land and housing, environment and climate change, water sanitation and infrastructure and many more.

Regarding UN-HABITAT's activities, please find the specific links in the following paragraph:

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<sup>1</sup> See also: <http://open.unhabitat.org/projects/>

<sup>2</sup> See also: <http://www.unhabitat.org/categories.asp?catid=555>



**Links on UN-Habitat's work related to sustainable cities**

- [World Urban Forum](http://www.unhabitat.org/categories.asp?catid=767)  
<http://www.unhabitat.org/categories.asp?catid=767>
- [Urban development management](http://www.unhabitat.org/categories.asp?catid=254)  
<http://www.unhabitat.org/categories.asp?catid=254>
- [Urban economy and financing shelter](http://www.unhabitat.org/categories.asp?catid=292)  
<http://www.unhabitat.org/categories.asp?catid=292>
- [Urban land legislation and governance branch](http://www.unhabitat.org/categories.asp?catid=260)  
<http://www.unhabitat.org/categories.asp?catid=260>

Currently, much emphasis in the context of urban SD is put into the upcoming [3<sup>rd</sup> United Nations Conference on Housing and Sustainable Urban Development \("HABITAT III"\)](#), which will take place in 2016. After the United Nations General Assembly convened the HABITAT I conference in Vancouver in 1976, its commitments on sustainable human settlements were reconfirmed at the HABITAT II in Istanbul in 1996. The Habitat Agenda was adopted as a global plan of action for adequate shelter for all. In 2016, world leaders aim to elaborate on the contents of the first two conferences by taking further steps at Habitat III. The third conference should offer the opportunity to member states to discuss a New Urban Agenda focussing on policies and strategies. It will address following key elements:

- **National Urban Policy** as an instrument to establish a connection between the dynamics of urbanisation and the overall process of national development,
- **Laws, institutions and systems of governance** which create the normative basis of action underlying the process of urbanisation and
- **Urban economy** in order to strengthen urban economic development worldwide.

This conference is a recent proof that the importance of urban sustainability is further increasing within the UN. With Habitat III, the UN hopes to bring the relevant actors together and to link results with national legislation in order to provide boost and ownership to implementation of urban sustainable development.

However, even if UN-HABITAT is the main body dealing with sustainable cities and human settlements on the UN level, it often coordinates and runs joint initiatives with other UN players. A short overview of other UN bodies and initiatives on urban sustainable development is provided in the following:

**UN-DESA**

[The United Nations Department of Economic and Social Affairs \(UN-DESA\)](#) is involved in several joint initiatives on sustainable cities and policy briefs on smart cities. For instance, the ["Integrated Strategy for Sustainable Cities"](#), is a policy brief on the integrated approach to build sustainable cities which involves the coordination of objectives and programmes between different city stakeholders as well as

the linkages between and within socio-economic sectors. UN-DESA also manages the [United Nations Office for SD \(UNOSD\)](#) and together they organised an [“International Symposium on Sustainable Cities: Empowering Local Governments through Capacity Building and Knowledge Sharing”](#) which took place in Incheon/Republic of Korea (UNDESA, 2013b).

The [UN Sustainable Development Knowledge Platform](#) of the Division for Sustainable Development is a follow-up platform of the Rio+20 Outcome document and provides information on actions and documents to Sustainable Cities and Human Settlements comprising outcome documents, secretary-general reports, meeting reports, logistics and other documents.<sup>3</sup>

UN-DESA has an own [Division for Sustainable Development](#) dealing with sustainable cities and human settlements. The Division for Sustainable Development (DSD) provides leadership in promoting and coordinating implementation of the sustainable development agenda of the United Nations mainly referring to the United Nations Conference on Sustainable Development (Rio+20). The work of the Division translates into five core functions: (1) Support to UN intergovernmental processes on sustainable development; (2) Analysis and policy development; (3) Capacity development at the country level; (4) Inter-agency coordination; and (5) Knowledge management, communication and outreach. The [homepage](#) of this division provides information on Sustainable Development Action Networks which are action-oriented communities where stakeholders may collaborate and share information on certain sustainable development topics in order to implement concrete policies, plans, programmes projects in support of the objectives of the network. One of the **Sustainable Development Action Networks is on Sustainable Cities**. In order to provide information for potential project partners, UNDESA presents projects of stakeholders related to sustainable cities online. Moreover, it organises events, such as the special event on Sustainable Cities with Local Authorities Major Groups (UNDESA, 2013b).

## UNEP

[The United Nations Environment Programme \(UNEP\)](#) has an urban environment unit which aims to integrate the urban dimension in UNEP’s work dealing with issues that have a local and international dimension, such as air pollution, coastal areas, waste, biodiversity and climate change. Also, in cooperation with partners, UNEP supports governments to address key urban environmental issues at national, regional and global levels.

It runs several [urban key programmes](#), such as the [“Sustainable Cities Programme”](#) with UN-Habitat and also works closely with city networks, such as Cities Alliance and GEO-Cities. Another example to mention is the [“Global Initiative for Resource-Efficient Cities”](#) which aims to reduce pollution levels, improve resource efficiency and reduce infrastructure costs in cities on a global scale.

Furthermore, it is working closely with UN-Habitat in the areas of sustainable urban planning and management, whereas the areas of action include analyzing the state of the environment in cities, water

<sup>3</sup> For further information on projects, please see: <http://sustainabledevelopment.un.org/index.php?menu=917>

and sanitation, air pollution and climate change etc. Since 2006, the two organisations have been developing a Partnership Framework with the overall goal of mainstreaming the environmental dimension into local, national and global urban policy-making (UNEP, 2013).

### UN-Global Compact

[The UN Global Compact](#) is a strategic policy initiative for businesses that commit themselves to aligning their operations with principles in the areas of human rights, labour, environment and anti-corruption. It is also considered as a practical framework for the development and implementation of sustainability policies and practices offering workstreams, management tools and resources in order to help advance sustainable business models and markets.

In terms of urban SD, the [Global Compact Cities Programme](#) represents a large corporate responsibility initiative providing a framework for translating UN principles on Human Rights, Labour Standards, Environment and Anti-Corruption into day-to-day urban governance and management. The Cities Programme supports a holistic approach to sustainability that considers, plans for and measures impact across four social domains: the economic, ecological, political and cultural dimension.

### 3 Mapping urban SD on the EU Level

*In this chapter, we provide an overview of how urban sustainable development issues and activities that are addressed in various EU policy strategies, programs, projects, funding schemes, and tools.*

Within the EU policy system, responsibilities on urban sustainable development are shared by several Directorate Generals and included in various policy documents, also comprising initiatives on sustainable cities. Thus, various parallel policy mechanisms exist which are not always directly linked to each other, but pursuing the same or similar objectives. Furthermore, funding schemes as well as tools are provided by EU institutions to enhance sustainable development in European urban areas.

In the following sections, we provide an overview of how urban sustainable development issues and activities are addressed in various EU policy strategies, by different EU institutions their funding schemes and their tools.

#### 3.1 Policy Strategies

*In this part of the case study, we provide an overview of how urban sustainable development issues and activities are addressed in various EU policy strategies.*

##### Europe 2020 Strategy: European Innovation Partnership Smart Cities and Communities

As part of the [Europe 2020](#) framework, urban sustainable development issues are addressed as part of the Innovation Union Flagship Initiative. In 2012, the European Commission launched the [European Innovation Partnership Smart Cities and Communities \(EIP SCC\)](#)<sup>4</sup> which is one of the Innovation Union Flagship Initiative. The Partnership follows the Smart Cities and Communities Initiative which was launched in 2011. The EIP SCC is a partnership across the areas of **energy, transport and information and communication**, with the objective to enhance progress in areas such as energy production, distribution and use, mobility, transport and information and communication technologies. With the aim of coming up with scalable and transferable solutions to contribute to the EU's 20/20/20 climate action goals, it looks to reduce high-energy consumption, green-house-gas emissions, bad air quality and congestion of roads. The EIP SCC focus will thus **support existing and future EU initiatives for urban areas in the field of environment and climate policies**. It ultimately looks to establish strategic partnerships between industry and European cities to develop the urban systems and infrastructures of tomorrow. With the aim of boosting the development of smart technologies in cities, the European Commission pools research resources from energy, transport and ICT supporting demonstration projects

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<sup>4</sup> For further information, please see: [http://ec.europa.eu/eip/smartcities/about-partnership/how-does-it-work/index\\_en.htm](http://ec.europa.eu/eip/smartcities/about-partnership/how-does-it-work/index_en.htm)

in cities. Each demonstration project financed under the same scheme must combine all the three sectors in order to create synergies. For 2013, 365 million Euro funds have been provided for these urban technology solutions. The Smart Cities and Communities EIP brings together four DGs: Move, Energy, Research and Innovation and Connect. However, DG Environment and DG Regio are also engaged in EIP projects on smart cities as well<sup>5</sup>.

The EIP SCC consists of the **High Level Group** and the Smart Cities Stakeholder Platform. In the High Level Group, there are high level representatives from industry, research and cities. Each High Level member elects an associate from their company/organisation to support them in their work (Sherpa Group). Together they are responsible for the Strategic Implementation Plan (SIP), which helps define how concepts promoting Smart Cities are put into practice. It also looks at how the European Commission can support these measures during the next Research Framework Programme – Horizon 2020.

The [Smart Cities Stakeholder Platform](#) is the collaborative, networking and knowledge sharing tool of Smart Cities and Communities set up by the European Commission (DG Energy). It collects and analyses input from all stakeholders in order to give advice to the High Level Group to feed into the Strategic Implementation Plan, and to provide detailed feedback to stakeholders who can use it to create their own activities and projects. Ultimately, the High Level Group and the Smart Cities Stakeholder Platform work together to encourage and support Smart Cities concepts to be embraced on a wide scale. The Platform acts as collaborative, networking and knowledge sharing tool and implementation mechanism of the European Innovation Partnership on SCC with the aims of identifying and spreading information on technology solutions and needs required by practitioners and providing information for policy support to the High Level Group and the European Commission. It is both a web-based and physical platform open to anyone who registers on it.

#### 6<sup>th</sup> and 7<sup>th</sup> Environmental Action Programme

Besides the Europe 2020 Strategy, there are various European policy mechanisms which have at least one section dealing with urban sustainable development or sustainable cities. The **7<sup>th</sup> Environmental Action Programme**, for instance, was proposed by the Commission and sets a strategic agenda for environmental policy-making with objectives to be achieved by 2020. It identifies cities as crucial engines of environmental problems and risks and therefore underpins the [European Green Capital Award](#) in relation to policies for sustainable urban planning and design. Thus, in order to enhance sustainability of EU cities, the 7<sup>th</sup> EAP fixes the goals that the majority of cities in the EU are implementing policies for sustainable urban planning by 2020. The main responsible governance body to support these targets is the DG Environment. However, others DGs are involved in urban initiatives, such

<sup>5</sup> See also: European Commission. 2012. Press Release: Commission launches innovation partnership for Smart Cities and Communities. Available at: [http://europa.eu/rapid/press-release\\_IP-12-760\\_en.htm](http://europa.eu/rapid/press-release_IP-12-760_en.htm)

as DG Energy, DG Digital Agenda, DG Regional Development and DG for Regional and Urban Policy. The related initiatives are exhibited in the following paragraphs.

Before the 7<sup>th</sup> EAP, the Commission committed itself to act in the area of urban SD also through the [6<sup>th</sup> Environmental Action Programme](#) which was issued in 2002. The 6<sup>th</sup> Environmental Action Programme called for the development of a Thematic Strategy on the Urban Environment with the objective of “contributing to a better quality of life through an integrated approach concentrated on urban areas and encouraging sustainable urban development (European Commission, 2005). The strategy emphasises the importance of local authorities referring to the subsidiarity principle that action should be taken at the most effective level which implies the local level. However, it also stresses the importance that urban environment needs action at all levels: national and regional authorities, as well as the EU (European Commission, 2005). It is based on the results of extensive consultations with a wide range of stakeholders and includes technical issues for environmental management plans, sustainable urban transport plans and for future priorities in regard to research and training. Throughout the development of the Thematic Strategy, the [EU Expert Group on the Urban Environment](#) has also been consulted. This is an advisory group that offers expert advice to the European Commission on urban environment issues and has produced important advisory documents related to urban sustainability issues. Again, DG Environment is here the responsible institution for these efforts. DG Environment provides information on the strategy’s accompanied documents and processes, such as an Impact Assessment covering its social, economic and environmental consequences and the EU Expert Group on the Urban Environment.

#### EU Sustainable Development Strategy

The renewed [EU Sustainable Development Strategy](#) of 2006 includes several key challenges and required actions. Sustainable transport is one of these key challenges in the EU SDS and ensuring transport systems meeting society’s economic, social and environmental needs. In the EU SDS, one of the actions to tackle transport systems is to develop and implement urban transport plans and systems taking into account technical guidance provided by the Commission and considering closer cooperation between cities and surrounding regions. Moreover, the EU SDS in the section on mobilizing actors and multiplying success refers to the role of cities in SD (para 29):

*“With regard to the important role of local and regional levels in delivering sustainable development and building up social capital, it is the overall aim to build sustainable communities in urban and rural areas where citizens live and work and jointly create a high quality of life. Approaches like the Local Agenda 21 and other processes with broad public participation must be further strengthened and promoted. Municipalities, cities and towns should be invited to sign and implement the Aalborg Commitments. Networks at different levels should support these activities.”*

Within this context, the Commission is invited to elaborate possible options of how to promote the “European Sustainable Cities & Towns Campaign” which provides an exchange of good practice including the elaboration of quality criteria, indicators and instruments like impact assessment. The best

sustainable development initiatives taken by regional and local authorities will be awarded prizes on an annual basis. The Commission will invite proposals from other EU institutions and organisations on how best to organise this.

### 3.2 EU Institutions and examples of projects and funding

Within the European Commission, several Directorate-Generals (DGs) of the European Commission have responsibilities that include urban SD and sustainable cities, including various programmes and projects. Some of the DGs charged with urban SD issues are: DG Move, Energy, R&I, Connect, Energy and Regional Development. In the following section, projects and funds of DG Environment, Regional Development, Mobility and Transport and Energy are exhibited in order to show how DG's include engagement in smart and sustainable cities into their agenda.

#### DG Environment

[DG Environment](#) has the objective to protect, preserve and improve the environment for present and future generations. The DG is responsible for several policies in the fields of air, chemicals, industry, resource efficiency, soil, sustainable development and many more. Among these, the policy on sustainable development also takes into consideration the theme of 'sustainable cities' and the 'urban environment'. The division on SD policy undertakes work on smart cities and developed the [Thematic Strategy on the Urban Environment](#) which was adopted in 2006 with the collaboration of the EU Expert Group on the Urban Environment and several other stakeholders. Moreover, DG Environment deals with the urban environment by linking main European Commission policies on urban issues, such as air pollution, noise, clean urban transport, energy efficiency in buildings and urban regeneration.

Support for cities is provided by projects or tools and urban environment data. In order to illustrate what is done, two projects are exemplified:

- The [European Green Capital Award](#) enables cities to inspire each other and share examples of good practices in situ. The award is given to cities that as a consistent record of achieving high environmental standards can act as a role model to inspire other cities and promote best practices to all other European cities. It is the result of an initiative taken by 15 European cities and the Association of Estonian cities in 2006 which was launched by the European Commission in 2008.
- [European Mobility Week Award](#) scheme rewards the local authority raise public awareness of sustainable mobility issues and make achievements towards sustainable urban transport. The winning city is chosen by an independent panel of transport experts.

In terms of [funding opportunities](#), DG Environment makes available two different programmes:

- 1) the [LIFE fund](#) is the European Union's financial instrument supporting environmental and nature conservation projects throughout the Union and in some candidate and



neighbouring countries. As part of this funding scheme, projects on urban SD can also be funded. Since 1992 LIFE has co-financed some 2,750 projects for a total of €1.35 billion.

- 2) The **Competitiveness and Innovation Framework Programme – Entrepreneurship and Innovation Programme (CIP-EIP)** supports projects in eco-innovation through three initiatives: [financial instruments, network of actors and pilot and market replication projects](#).

## DG Regional and Urban Policy

The mission of the [DG for Regional and Urban Policy](#) is to strengthen economic, social and territorial cohesion by reducing disparities between the levels of development of regions and countries of the EU. In this way, the policy plans to contribute positively to the overall economic performance of the EU and strengthen economic, social and territorial cohesion. By co-financing infrastructure projects, developing information society, accelerating the transfer of know-how and stimulating cross-border cooperation, the DG for Regional and Urban Policy helps regions that are less prosperous or are suffering from structural problems to improve competitiveness and to achieve a faster rate of economic development.

Examples of DG Regio projects related to urban sustainability are:

- [URBACT](#) is a European exchange and learning programme promoting sustainable urban development. It tries to enable cities to work together to develop solutions to major urban challenges, reaffirming the key role they play in facing increasingly complex societal changes. Furthermore, the project helps cities to develop pragmatic solutions that are sustainable, and that integrate economic, social and environmental dimensions. URBACT's mission is to enable cities to share good practices and lessons learned with all professionals involved in urban policy throughout Europe. Each project focuses on a specific urban issue, such as tapping into the positive potential of young people ([MY GENERATION](#)), social housing ([SUITE](#)), or taking built heritage into account in urban development ([Hero](#)). It comprises 500 cities, 29 countries and 7,000 active participants and it is jointly financed by the European Union (European Regional Development Fund) and the Member States.
- [JESSICA Joint European Support for Sustainable Investment in City Areas](#) is an initiative of the European Commission developed in co-operation with the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB). Its mission is to promote sustainable urban development and regeneration through financial engineering mechanisms. JESSICA supports projects in areas, such as urban infrastructure, heritage or cultural sites, redevelopment of brownfield sites, university buildings and energy efficiency improvements.

[DG Regio](#) also funds sustainable urban projects mainly through its **Structural Funds scheme**, the European Regional Development Fund (ERDF) and the Cohesion Fund:

- [The European Regional Development Fund \(ERDF\)](#) aims to strengthen economic and social cohesion on the European Union by correcting imbalances between its regions. The ERDF focuses its investments on several key priority areas. This is known as 'thematic concentration': (a) Innovation and research; (b) the digital agenda; (c) support for small and medium-sized



enterprises (SMEs); and (d) the low-carbon economy. Since many years, sustainable development is included in the Structural Funds regulation as a cross-cutting theme that has to be included in all programming documents. The ERDF also gives particular attention to specific territorial characteristics. ERDF action is also in fact designed to reduce economic, environmental and social problems in **urban areas**, with a special focus on sustainable urban development. At least 5 % of the ERDF resources are set aside for this field, through 'integrated actions' managed by cities.

- The [Cohesion Fund](#) is aimed at Member States whose Gross National Income (GNI) per inhabitant is less than 90 % of the EU average. It aims to strengthen economic and social disparities and to promote sustainable development, and it is now subject to the same rules of programming, management and monitoring as the ERDF and ESF though the Common Provisions Regulation. Among its **investment priorities** (Art.4) , the Cohesion Fund<sup>6</sup> takes into consideration the urban environment and supports:
  - 1) the shift towards a low-carbon economy in all sectors by, among others, “promoting low-carbon strategies for all types of territories, **in particular for urban areas**” (our emphasis);
  - 2) climate change adaptation, risk prevention and management;
  - 3) the environment and promoting resource efficiency by, among others, “taking action to improve the **urban environment**, to **revitalise cities**” (our emphasis); and,
  - 4) sustainable transport and removing bottlenecks in key network infrastructures.
- The [Instrument for Pre-Accession Assistance \(IPA\)](#) helps candidate countries to develop transport networks and improve environmental infrastructure. It is made up of five difference components: Assistance for transition and institution building, Cross-border cooperation, Regional development (transport, environment, regional and economic development), Human resources (strengthening human capital and combating exclusion) and Rural development.

## DG Energy

[DG Energy](#) is focused on creating an internal energy market to lower prices, to develop renewable energy sources, to reduce energy dependence and to reduce energy consumption. The DG's goal is linked to the EU aiming for a 20% cut in Europe's annual primary energy consumption by 2020. Measures of the energy chain generation, transformation, distribution and final consumption shall increase efficiency at all stages. Thus, the measures focus on public transport and the building sector where the potential for savings is greatest. In order to achieve the minus 20% of energy consumption, the DG launches initiatives which address smart cities and are exemplified here:

- [CONCERTO Initiative](#) aims to demonstrate that the energy-optimisation of districts and communities as a whole is more cost-effective than optimising each building individually, if all relevant stakeholders work together and integrate different energy-technologies in a smart way.

<sup>6</sup> See also: <http://new.eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013R1300&from=EN>

It started in 2005 and has co-funded more than 175 Million Euro 58 cities and communities in 22 projects in 23 countries. CONCERTO is an initiative within the European Research Framework Programme (FP6 and FP7).

- [The Platform Smart Cities and Communities](#) has been set up on behalf of DG Energy as part of the Smart Cities and Communities Initiative under the SET-Plan to make information accessible on potential technologies to enable cities and local governments to find and finance suitable technological solutions. In finding suitable technologies, four working groups are involved in following topics: Energy Supply Networks, Mobility and Transport, Finance Group, Smart City Roadmap Group and ICT4 Smart Cities Group. The objective is to develop formalized information of technology solutions. Moreover, the Platform is a key component of the European Commission's strategy to support Smart Cities.

## DG Transport and Mobility

[DG Transport and Mobility](#) aims at promoting a mobility that is efficient, safe, secure and environmentally friendly. Furthermore, its goal is to create the conditions for a competitive industry generating growth and jobs. It is responsible for the work on a series of inter-modal transport issues and addresses a wide range of transport themes, such as passenger rights, security and safety, sustainable transport and clean and urban transport. Within the theme [clean and urban transport](#), DG Transport is responsible for the **Urban Mobility Package**<sup>7</sup> which reinforces supporting measures in the area of transport by

- sharing experiences, show-casing best practices, and fostering cooperation
- providing targeted financial support,
- focussing research and innovation on delivering solutions for urban mobility challenges, and
- involving the Member States and enhance international cooperation.

The central element of the Urban Mobility Package is the [Communication "Together towards competitive and resource-efficient urban mobility"](#).

The main important initiatives by DG Transport on smart cities are:

- The [CIVITAS Initiative](#) helps cities across Europe to implement and test innovative and integrated strategies which address energy, transport and environmental objectives. So far, projects in 59 cities have been or are being supported. The annual CIVITAS Forum brings together practitioners and politicians from the CIVITAS cities. The initiative runs until 2016 and thanks to an EU-funded investment of well over EUR 200 million, the project has guided cities to introduce improvements measures. Examples include a public transport ticketing system in Tallinn, Estonia, a 100% clean bus fleet in Toulouse, France, waterborne goods transport in Bremen, Germany and a new traffic control system in Bologna, Italy.
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<sup>7</sup> See also: [http://ec.europa.eu/transport/themes/urban/doc/ump/com\(2013\)913\\_en.pdf](http://ec.europa.eu/transport/themes/urban/doc/ump/com(2013)913_en.pdf)

- The [Eltis project](#) facilitates the exchange of information, knowledge and experiences in the field of urban mobility in Europe. Eltis supports the creation of urban transport systems, which use less energy and produce fewer emissions, while improving the competitiveness of urban areas and the mobility and quality of life of its citizens. Created more than 10 years ago, Eltis is now Europe's main portal on urban mobility. It organizes regular events and frequently provides best practice examples of European cities in terms of sustainable transport.

In terms of funding, DG Transport and Mobility provides grants and calls in the field of Transport. Most recent calls were, for instance, promoting efficient enforcement of specific traffic rulers from September 2013.

## DG Connect

The [DG for Communications, Networks, Content and Technology \(DG CONNECT\)](#) works with digital technologies that can help deliver the growth which the EU needs. It [contributes](#) by harnessing information and communications technologies in order to create jobs and generate economic growth. DG CONNECT manages the [Digital Agenda](#), one of the seven flagship initiatives under Europe 2020 aiming at boosting Europe's economy and helping to get the most out of digital technologies. [ICT for Sustainable Growth](#) is a Forum within the Digital Agenda Flagship Initiative that addresses energy efficiency, water management and climate change adaptation. It deals with several policy areas such as energy efficiency of the ICT Sector, Energy Efficient Buildings, Smart Grids, Waste Management and Smart Sustainable Cities.<sup>8</sup>

With regards to [Smart Sustainable Cities](#), ICT is identified as a significant means to enable a better use of energy in buildings, transport, street lightning etc. The report "[Impacts of Information and Communication Technologies on Energy Efficiency](#)" (2008)<sup>9</sup> was commissioned by the European Commission under the direction of DG CONNECT. This report identifies areas in a city in which ICT can have a positive impact.

To illustrate DG CONNECT's engagement in cities more vividly, following examples shall be presented:

- The [Green Digital Charter](#) was launched in 2009 to encourage and make signatory cities commit to to reduce their carbon footprint of their ICT and roll-out ICT solutions which should result in more energy efficiency in areas such as buildings, transport and energy. It counts 28 signatory cities. They use EUROCITIES network to coordinate their efforts and implement a roadmap on their commitments, exchange experiences and build benchmarks of good practice.
- Within the Green Digital Charter, the [NiCE project](#) (Networking intelligent Cities for Energy Efficiency) was launched to promote and advance implementation of the commitments of the

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<sup>8</sup> For further information please see: <http://ec.europa.eu/dgs/connect/en/content/mission-and-priorities>

<sup>9</sup> Please see:

[http://ec.europa.eu/information\\_society/activities/sustainable\\_growth/docs/studies/2008/2008\\_impact-of-ict\\_on\\_ee.pdf](http://ec.europa.eu/information_society/activities/sustainable_growth/docs/studies/2008/2008_impact-of-ict_on_ee.pdf)

Green Digital Charter with a view to use ICT as an enabler to significantly reduce energy consumption and CO2 emissions (European Commission, 2013).

### 3.3 Tools and mechanisms

Tools and mechanisms to enhance urban sustainable development on a multi-level governance approach comprise **‘knowledge exchange platforms’** and **‘top-down implementation projects’**. However, there are various other tools and mechanisms on a regional and bottom-up level, such as city networks. In this sub-chapter, top-down exchange platforms are described.

[The Reference Framework for European Sustainable Cities \(RFSC\)](#) was established in 2008 by national ministers in Marseille who decided to establish a mechanism that would translate in practice the sustainability goals of the Leipzig Charter objectives. The RFSC is a joint initiative of EU Member States, the European Commission and European organisations of local governments and serves as online toolkit for European local authorities working towards integrated sustainable development. It is offering its contribution to urban sustainable development by helping cities to promote their work on integrated sustainable urban development by giving common space and language to the community of cities. Thereby it offers access to exchange and support and practical support in integrating sustainability principles into local policies and actions.

[The European Urban Knowledge Network](#) is an intergovernmental urban network and was launched at the informal ministerial conference on urban policy “Cities Empower Europe” in 2004. The aim is to develop a pilot project for a European urban knowledge exchange network with the voluntary participation of Member States and the support of URBACT. Currently, it counts 15 Member States which disseminate national knowledge via EUKN at the European level and disseminate European and international knowledge at the national level. The topics cover Urban Policy, Economy, Knowledge and Employment, Social Inclusion and Integration, Urban Environment, Transport and Infrastructure, Housing, Security and Crime Prevention, Skills and Capacity Building. Yet, cities can make use of the EUKN by getting structural funds.

[The EU Smart Cities Stakeholder Platform](#) is part of the European Innovation Partnership on Smart Cities and Communities and is outlined in Chapter 3.1. It is not only a knowledge sharing tool itself, but also an implementation mechanism and governance body of the European Innovation Partnership on Smart Cities.

## 4 City networks and network tools

*This chapter provides information on city networks that focus on urban SD issues and that operate either on a global or European level. Evidently, global city networks have different interest foci than European city networks. The list of urban networks is not exhaustible and for that reason, the most prominent ones were selected to be described in the following section.*

The establishment of city networks traces back to the 1950s and nowadays a myriad of such alliances exist on a global as well as on a regional scale. In order to gain support knowledge sharing, cities come together and exchange important information regarding city planning and management. Usually, these alliances are created by members for members, hence they are considered as bottom-up movements. Some, however, are founded by European institutions to foster exchange among European cities through networking, knowledge exchange and sharing of best-practices, these networks favour the processes of achieving important goals, such as EU targets regarding CO<sub>2</sub> emissions or energy related goals. Thus, city networks can also be considered as important implementation tools for urban sustainable development objectives.

### 4.1. Global City Networks

The most important city networks operating at a global scale are **ICLEI** (Local Governments for Sustainable Development), **UCLG** (The Global Network of Cities, Local and Regional Governments), **Cities Alliance** and **C 40 Cities**. Please note that ICLEI has a global and a European section and thus will be considered as a global as well as a European network in this chapter.

**ICLEI (Local Governments for Sustainable Development)** is a membership association consisting of 12 mega-cities, 550 large cities and urban regions, 450 small and medium-sized cities and towns in 86 countries dedicated to sustainable development. It receives its mandate from its members' local governments and municipal organizations and is managed by an ICLEI Council, Global and Regional Executive and a Management Committee. Beyond its global outreach, ICLEI has a European section with its own European Secretariat. The global alliance encompasses a number of initiatives: 1) a network of local governments that facilitates city-to-city cooperation; 2) thematic networks that bring together cities; 3) self-assessment tools for cities, such as Local Authorities Self Assessment of Local Agenda 21, 4) tools like eco-budget etc.

**UCLG (The Global Network of Cities, Local and Regional Governments)** is present in 140 out of 191 UN member states. Its members include individual cities and national associations of local governments. More precisely, over 1000 cities across 95 countries as well as 112 Local Government Associations are direct members of UCLG. The city network has a decentralised structure with 7 Regional Sections in Africa, Asia-Pacific, Euro-Asia, Europe, Latin America, Middle East and West Asia, North America and a Metropolitan section. These Regional and Metropolitan Sections are independent legal entities which conduct their own regional activities. Each Committee can establish one or more Working Groups which develop proposals and/or cooperation initiatives between local governments and their associations in

order to enrich the discussions within UCLG. Their mandate is for three years until the next UCLG Congress. UCLG supports international cooperation between cities and their associations, and facilitates programmes, networks and partnerships to build the capacity of local governments. It promotes following topics: the role of women in local decision-making, and is a gateway to relevant information on local government across the world.

[Cities Alliance](#) is a global partnership for urban poverty reduction and the promotion of the role of cities in sustainable development. Members comprise local authorities, national governments, NGOs and multi-lateral organisations, such as the EU, UN-Habitat and the World Bank. This network's objectives are to support cities in enhancing national policy frameworks to address urban development needs, developing and implementing local inclusive strategies and plans and developing mechanisms to engage citizens in city or urban governance.

[C 40 Cities](#) is a global network of large cities taking action to address climate change by developing policies and programs that generate measurable reductions in greenhouse gas emissions and climate risks. It offers direct access, peer-to-peer exchange and research and communities to cities. More precisely, it helps cities to advance significant climate policies and initiatives through increased local capacity. Moreover, it provides expertise to cities to design and implement climate policies and projects. Through creating networks, C 40 is building a community of practice to identify solutions, share lessons learned and provide assistance to policymakers to adapt approaches to local conditions.

Besides the above mentioned networks, several others, such as [Eco Compact Cities Network](#) and the [World Mayor Council on Climate Change](#) which aim to foster knowledge exchange on topics and projects related to sustainable development.

## 4.2. European City Networks

In addition to global city networks, city networks that focus on urban SD also operate on a European level. The table below provides an overview of important European city networks and, for each, looks into its history, management structure, objectives, what it offers for cities, and its focus on SD.

City Network	History	Management/ Structure	Objective	What it offers to cities	Focus on SD
<a href="#"><u>Covenant of Mayors</u></a>	Launched in 2008 by the European Commission.	Interacts with a wide range of projects, policies and initiatives from European institutions, public administrations and networks, its office is lead by energy cities, Climate Alliance, Energy Cities, Eurocities etc. which all share the same headquarter in Brussels.	Aims to meet the EU 20% CO <sub>2</sub> reduction by making signatories to commit to territorial Sustainable Action Plans.	Assistance in order to implement the Sustainable Energy Action Plan.	Committed to increasing energy efficiency and use of renewable energy sources, objective by 2020.
<a href="#"><u>ICLEI Europe</u></a>	ICLEI was founded in 1990 by 200 local governments from 43 countries who convened for the first World Congress of Local Governments for a Sustainable Future at the United Nations headquarters in New York. Operations started in 1991 at the World Secretariat in Toronto, Canada, and the European Secretariat in Freiburg, Germany.	ICLEI is a membership organisation and it is the members who govern based on democratic principles; the European Regional Executive Committee (REXCom) represents ICLEI's Members in Europe. Each of the five REXCom members are responsible for a specific portfolio related to sustainability. The Special Advisors	Improvement of local governance and management; in Europe, ICLEI is dedicated to introducing and anchoring new instruments, mechanisms and tools for municipal management, in order to ensure the unwavering implementation, effective monitoring and continual improvement of sustainable	ICLEI represents local governments in all relevant policy processes for sustainability in Europe; works together with other European networks, the European Commission, the Committee of the Regions, and other organisations involved in formulating EU policies and strategies; ICLEI supports cities and	Biodiversity, climate change adaptation and mitigation, sustainability management, urban governance, sustainable procurement, energy, water, mobility, sustainable events.



City Network	History	Management/ Structure	Objective	What it offers to cities	Focus on SD
		support the work of ICLEI Europe and its European Regional Executive Committee. The European Executive Staff Members comprise 50 people.	development.	local governments in making the transition to becoming sustainable cities.	
<a href="#">Eurocities</a>	Was founded in 1986 by the mayors of six cities.	Executive Committee manages business of the organization; day-to-day work is conducted through six thematic forums and working groups in which our members can participate.	Reinforce the role of local governments in a multilevel governance structure.	Broad exchange of knowledge and experiences.	Culture, economy, environment, knowledge society, mobility, social affairs.
<a href="#">Energy Cities</a>	Created in 1990 by members,	The leading team is made up by 21 specialists in urban topics, between 2013 and 2015 it is under the residency of the City of Heidelberg with a Board of Directors of 11 European cities.	Represent cities' interests and influence the policies made by EU institutions.	Promote cities' initiatives through exchange of experiences, transfer of know-how and the implementation of joint projects.	Energy, environmental protection and urban policy.
<a href="#">Climate Alliance</a>	Founded in 1990 by local authorities.	Is an internationally composed board and is coordinated by the European Secretariat	Reducing GHG emissions, conserving tropical rain forests.	Promotion of partnerships between European municipalities and	CO <sub>2</sub> emissions, rain forest conservation in the Amazon Basin.



City Network	History	Management/ Structure	Objective	What it offers to cities	Focus on SD
		and additional agencies: an office in Brussels and national and regional offices.		indigenous communities; regional offices act in the interest of the members and connect different local, national, European and international political levels.	
<a href="#"><u>CEMR -Council of European Municipalities and Regions</u></a>	Founded in Geneva in 1951 by a group of European mayors.	Two governing bodies: the Policy Committee and the Executive Bureau. The Policy Committee as the main governing organ is based on national representation; Executive Bureau takes decisions between Policy Committee meetings.	Promoting a united Europe that is based on local and regional self government and democracy, exchange experience at local and regional level.	Enhancing the local and regional contribution to influence European law and policy.	Air quality, energy efficiency, employment, local life, etc.
<a href="#"><u>European Metropolitan Network Institute</u></a>	Created both for and by cities and funded by DG Regio.	It works together with a multitude of institutes and organisations on urban projects. By collaborating with network organisations, universities and	Building a multi-level and multi-stakeholder network of people and cities; creating and sharing innovative, demand-driven knowledge, both for and by European cities and	Sharing of knowledge between urban professionals, research institutes, civil society, network organisations, private companies and EU institutions.	Polycentric metropolitan areas, sustainable urban mobility, economic vitality, sustainability and social cohesion.

City Network	History	Management/ Structure	Objective	What it offers to cities	Focus on SD
		institutes on the local, national and European level, EMI strengthens the link between players and stakeholders in the urban field.	metropolitan areas.		
<a href="#"><u>European Sustainable Cities Platform</u></a>	Is a project that stems from the Sustainable Cities & Towns Campaign (1994-2013)	Movement led by members for the benefit of members.	Aims to bridge the gap between research and policy-making in sustainable development, at and for the local level. At the Informed Cities fora, a series of conferences bringing together researchers and local policy-makers, new ways of transferring latest scientific knowledge into practice are discussed.	Platform is designed so that various cities and towns in Europe can continue to share their sustainability information and initiatives.	Reduction of greenhouse gases in order to minimise the city's contribution to global climate change. Saving energy and increasing the share of renewable energy production are key issues.

## 5 Summary

After the mapping of institutions and initiatives that deal with cities within the context of sustainability, we found a myriad of interpretations and implementation of urban SD and its governance, stretching across international governance efforts to European policy strategies and worldwide city networks. Furthermore, city networks represent alternative spheres of authorities which help cities to establish sustainable patterns and challenge the traditional distinctions between local, regional, national and global environmental politics.

The goal of this case study was to map the relevant players on an UN and EU level. In exploring their initiatives and institutions, it became clear that the Rio+20 Outcome Document serves as a main point of reference to further UN actions concerning sustainable human settlements. UN-Habitat is the UN body overtaking the greatest governance responsibility in regard to sustainable cities. Its engagements are mainly taking place in developing cities with a focus on social equality and sustainability. Work in the European Union on urban SD takes place in the context of the Europe 2020 Strategy and several DGs have specific responsibilities that are directly or indirectly linked to urban SD issues. By mapping UN and EU institutions, their efforts in urban sustainability as well as by presenting city networks, not only the complexity of the topic becomes evident, but also the complexity of challenges cities have to face in terms of environmental, social, economic, political, spatial, physical and institutional aspects in general.

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# Urban Sustainable Development Approaches of Three Different Cities: Copenhagen, Newcastle, Vienna

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ESDN Case Study N°16



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# 1 Introduction

*Between 2011 and 2050, the world population is expected to increase by 2.3 billion, passing from 7.0 billion to 9.3 billion. At the same time, the population living in urban areas is projected to gain 2.6 billion, passing from 3.6 billion in 2011 to 6.3 billion 2050. Thus, the urban areas of the world are expected to absorb all the population growth expected over the next four decades while at the same time drawing in some of the rural population (UNDESA, 2012)<sup>1</sup>.*

Cities are generally considered as engines of growth and development (Keivani, 2010) and already contribute up to 55% of gross national product in low-income countries, 73% in middle-income countries and 85% in high-income countries (UN-Habitat 2006). However, cities also consume 75% of the world's resources and produce 80% of CO<sub>2</sub> emissions (UN-Habitat 2005). In 2050, if in a world of 9.3 billion people, two thirds of them will be living in urban areas, we will need to make sure that those cities and urban areas are sustainable and independent from 'business-as-usual' paths of development and growth.

For what concerns Europe in particular, in 2011, 73% of its population was living in urban areas. By 2050, Europe's level of urbanization is projected to be at 82% (UNDESA, 2012). Cities and urban areas are, therefore, crucial to make progress towards a more sustainable Europe, and, hence, reflecting on the processes of urbanisation represents a necessity in this context.

This case study directly relates to our work on the [ESDN Quarterly Report No. 31](#) that explores the topic of urban sustainable development as a crucial aspect of the post-2015 agenda. In this case study, we provide examples of how urban SD looks like on the ground by presenting the experiences of three European cities: Copenhagen, Newcastle upon Tyne, and Vienna. Our main intent is to show a number of good practices and tangible examples about the work undertaken in these cities that relate to sustainability in the urban sphere, reflecting not only on the environmental pillar, but also on economic and social aspects. This case study offers good practice examples of urban SD in Europe. The case study is neither a summary of best practice examples nor is it representative on what European cities do with regards to urban SD. Its main aim is to provide examples on how urban SD concepts are implemented in different cities with different contexts. This case study complements [ESDN Case Study No. 15](#) that provides a general overview on urban SD initiatives on the global and European level.

## 2 Urban Sustainable Development on the ground

In the ESDN Quarterly Report No.31, we define **urban sustainable development** as the extent of all those practices and activities that:

- Relate with sustainable development within cities (e.g. promotion of organic farmers markets, access to sustainable mobility, reduction of electricity consumption in buildings, recycling and waste prevention, inclusive urban development, etc...);

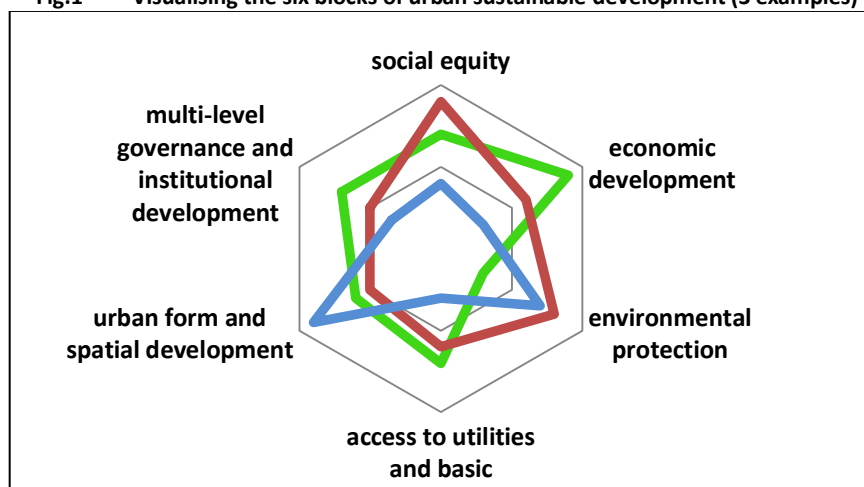
<sup>1</sup> UNDESA. 2012. World Urbanization Prospects: The 2011 Revision.

- Take into consideration the processes of urbanisation of cities in light of sustainable development (e.g. reduction of urban sprawl, construction of bike lanes, promotion of pedestrian areas, provision of affordable apartments for disadvantaged citizens, etc...);
- Reflect on the throughput of cities with a sustainable development perspective (e.g. prevention of landfilling, attention to water consumption, etc...)

In other words, we understand the concept of **urban SD as everything that is related to SD in an urban context**. However, from a **multi-level governance perspective**, we argue that urban sustainable development needs to be seen as the sum of on-going transformative processes applied to help transitioning cities (or urban areas) towards a more sustainable future. These processes that happen at the urban level will have effects not only on the city itself but also ‘outside’ the city and, hence, have a more widespread effect – locally, regionally, nationally, and globally – requiring, therefore, a multi-level governance approach.

We also portray in the Quarterly Report a number of **features of urban sustainable development**<sup>2</sup>, which we summarise in the following visual representation (**Fig.1**), whose coloured lines relate to how three exemplary cities could be evaluated in respect to urban SD (i.e. Green in city 1; Red is city 2; Blue is city 3).

**Fig.1 Visualising the six blocks of urban sustainable development (3 examples)**



Source: ESDN diagram (based on Keivani, 2010)

In this perspective, six blocks of features need to be therefore taken into account for urban SD:

1. the **social** perspective;
2. the **economic** front;
3. the **environmental** aspect;
4. the viewpoint of **access**;
5. the connections derived from **urban form and spatial development**; and,
6. the attention of **multi-level governance and institutional development**.

<sup>2</sup> For this purpose we used two main sources: i) Keivani, R. 2010. A review of the main challenges to urban sustainability, International Journal of Urban Sustainable Development 1(1-2), pp.5-16; and, ii) UNDESA. 2013. An Integrated Strategy for Sustainable Cities. UN-DESA Policy Brief No. 40.

### 3 Urban sustainable development in 3 European cities

In this chapter, we provide an overview on three European cities and their urban SD approaches and activities: Copenhagen (Denmark), Newcastle upon Tyne (UK) and Vienna (Austria). The three city cases are based on documents provided by the cities and that can be found on their respective official websites.

#### 3.1 Copenhagen

Copenhagen is the capital and largest<sup>3</sup> city of Denmark, with an urban population of 1,230,728 and a metropolitan population of 1,967,727. The city itself counts 559,440 inhabitants. Since 2000,



Copenhagen has seen strong urban and cultural development, facilitated by investments in its institutions and infrastructure. The city is the cultural, economic and governmental centre of Denmark and one of the major financial centres of Northern Europe with the Copenhagen Stock Exchange<sup>4</sup>. In 2012, Copenhagen was 3<sup>rd</sup> in the ranking of the [richest cities in the world](#), 9<sup>th</sup> in the [Mercer Quality of Living Survey](#) and 8<sup>th</sup> in the [top smart cities of the planet](#). Copenhagen has also been recently named as the [2014 European Green Capital](#).

##### 3.1.1 SD integrated within the Municipal Plan for the city

Our main reference document is the “[City of Copenhagen Municipal Plan 2011](#)” from which we have summarised most of the information presented. Copenhagen does not have its own policy strategy that could be referred to as strategic SD plan for the city, but the Municipal Plan of 2011 represents a general plan for the development of the city in which numerous SD goals and initiatives are well described and, more importantly, **well integrated** in the plan with a view towards the future of the city, in general, and future generations. As pointed out in the Municipal Plan: “*Our growth must be sustainable and we want Copenhagen to be the obvious place to develop and test new environmental and climate solutions*”. With the main objectives of ‘green growth’ and ‘quality of life’, the Municipal Plan focuses on three main areas:

- 1) **A good everyday-life in Copenhagen:** *by 2025, Copenhagen will still be one of the best cities in the world to live in and be a safe, inspiring and diverse city with its own special and unique character with a mix of old and new buildings, green lungs and people in the city space;*
- 2) **Knowledge and business in Copenhagen:** *by 2025, Copenhagen will be a knowledge city attracting and retaining foreign students, researchers, employees and enterprises. Going*

<sup>3</sup> As of 1 October 2013

<sup>4</sup> Main info summarised from: <http://en.wikipedia.org/wiki/Copenhagen>

*towards 2020, average annual growth should be 5%. Growth and prosperity go hand in hand because the sectors which the city lives by support a greener, healthier and more exiting city;*

- 3) **Copenhagen as a green growth metropolis:** *by 2025, Copenhagen will be the world's first carbon neutral capital and have a leading edge on green technology and innovation in Europe. Also, Copenhagen will be the no. 1 bike city in the world. The urban development will remain sustainable, which means that environmental, social and economic development go hand in hand.*

In the following box (**Fig.2**), we summarise the goals and the solutions proposed in the Municipal Plan with the intention to show the variety of SD measures and actions that are integrated within the plan.

**Fig.2 Copenhagen's goals and solutions**

<b>COPENHAGEN – Green growth and Quality of life</b>		
<b>A good everyday-life in Copenhagen</b>	<b>Knowledge and business in Copenhagen</b>	<b>Copenhagen as a green growth metropolis</b>
<p><b>1. Construction for the city's children:</b> All children in Copenhagen should be offered day care services within four kilometres from their homes</p> <p><b>2. Increased focus on disadvantaged residential areas and urban renewal:</b> Copenhagen is preparing a 'Policy for disadvantaged urban areas' which is to result in an actual strategy for troubled residential areas as identified by central government</p> <p><b>3. Improved conditions for culture and leisure:</b> Copenhagen will continue to restore and modernise the city's worn-down cultural and leisure facilities and build new ones</p> <p><b>4. More city gardens and green spots:</b> The City of Copenhagen focuses on creating city gardens/small parks, is working on planting more trees and on establishing green roofs and roof gardens to make the city more green</p>	<p><b>1. Investments in urban development – employment for idle hands:</b> Copenhagen will invest DKK 11 billion in 530 building and construction projects, which will benefit Copenhageners creating 11,000 jobs and increase growth in the city.</p> <p><b>2. Better traffic connections and parking capacity:</b> Copenhagen still has the need for developing and planning a harbour tunnel; Copenhagen is examining the required parking capacity for the entire city; furthermore, the regional railways should be strengthened to ensure enterprises better access to labour</p> <p><b>3. Healthy growth:</b> is about employment, investments and knowledge. Copenhagen focuses on new solutions supporting its citizens' health and encouraging private enterprises and research and knowledge institutions to contribute</p> <p><b>4. Improved physical framework and marketing of commercial areas:</b> in order to match enterprises' requirements, Copenhagen will promote its commercial areas and market the city as a good place to invest in and operate a business</p>	<p><b>1. Partnerships for demonstration projects and new technological solutions:</b> Copenhagen establishes partnerships for green urban solutions ensuring a reduction of carbon emissions as well as improving the framework for green mobility, green energy production and green energy consumption. Joint projects between Copenhagen, energy companies, enterprises, land owners, investors, universities and other public authorities will result in innovation and serve as a showcase for a future sustainable city</p> <p><b>2. Expansion of public transport and green mobility:</b> Copenhagen wants to encourage both new and old road users to choose greener and healthier means of transport. The aim is to integrate buses, metro and S-trains, creating an efficient public transport system. Cyclists and pedestrians will also be integrated into the public transport plans</p> <p><b>3. New system solutions in Copenhagen suitable for export:</b> Copenhagen want to give cleantech enterprises the opportunity to test new, green solutions on a larger scale in our new urban development areas including new energy forms, district cooling and waste handling</p> <p><b>4. Retrofitting of buildings:</b> In order to achieve the ambitious goal of becoming carbon neutral by 2025, the City of Copenhagen will invest in retrofitting of its own buildings</p>

### 3.1.2 SD in Copenhagen, focus areas and examples

As the official website of the [City of Copenhagen](#) portrays, Copenhagen is already a key player on green issues. The city aims, as the first capital in the world, to reach for carbon-neutrality in 2025. Also, since many years, extensive efforts in a diversity of areas not only have made Copenhagen greener but, as the city acknowledges, has additionally been generating new skills and knowledge in this field.

Among a large number of initiatives, programs and plans on this topic, especially one study by the Green Growth Leaders (GGL)<sup>5</sup> - [“Copenhagen – Beyond Green: The socioeconomic benefits of being a green city”](#) - refers to how the city approaches urban SD. As explored in this publication, Copenhagen is able to show what urban sustainable development represents in practice: a development where all dimensions are well represented environmentally, socially and economically at the urban level and well incorporated into an integrated approach: in fact, green is seen *“in a broader perspective than strictly environmental. It is not only about reducing CO<sub>2</sub> emissions. It is also about improving quality of life and creating jobs and business opportunities throughout the entire economy – not just in the clean-tech sector”* (p.5).

The above mentioned publication, which we took as our main reference for the following sections and practical examples together with the Municipal Plan, refers to several social and economic benefits on urban sustainable development that the city of Copenhagen experienced: *“what we have learned is that urban green investments offer benefits far beyond environmental. What we have found is evidence of how sustainable life can be more fun, more profitable, and healthier, than ordinary life”* (p.5).

#### 3.1.2.1 From an economic point of view

From 2004 to 2009, Copenhagen’s **green sector turnover** in the capital region increased by 55 percent, contributing more than 6.7 billion euro in 2009 alone, being therefore an important wealth generator and **growth engine** for Copenhagen. Simultaneously, the green sector experienced an **explosive growth in exports**. Nonetheless, the green sector in Copenhagen has proven to be a **local tiger economy**. Today, in Denmark, due to the wind industry, more than **350 companies** produce turbines, blades, generators, gear boxes and control systems and more than **25,000 Danes are employed** in those companies. In addition, wind farms not only produce home grown and environmentally friendly energy, they could provide an **investment opportunity** for small time savers and pension funds and provide valuable expertise and experience.

#### 3.1.2.2 Cycling as important mode for sustainable mobility

In terms of sustainable mobility, urban planners have designed the city to make cycling particularly attractive with environmental, social, and economic effects, namely:

- **Reduction in traffic congestion:** in 2010, 35 percent of all trips to work or education in the city of Copenhagen were made by bike (for people working and living in Copenhagen, the numbers are even higher reaching 50 percent);

<sup>5</sup> The Green Growth Leaders (GGL) is a global alliance of cities, regions, countries and corporations, sharing a vision of building prosperous, green economies and communities -and a better tomorrow for their citizens. It is fronted by the Green Growth Council is an independent initiative, founded by Scandinavian think tank Monday Morning, City of Copenhagen, DONG Energy and Realdania and launched in 2010 in Copenhagen.



- **Time and money saving:** the city actually saves € 0.06 for every kilometer traveled by bike instead of a car (1.2 million kilometers cycled each day); the saved costs from less congestion are estimated at € 14 million; the infrastructure is also less beset by car use. Fewer car accidents also play into the total avoided external costs of € 31 million;
- **Quality of life:** it is proven that half an hour cycling daily increases mean life expectancy by 1-2 years; the health benefits of cycling also include fewer sick days, fewer medical expenses and treatments with a total health benefit estimated in 268 million euro per year;
- **Small local business and new local jobs:** today, there are 309 businesses selling and repairing bicycles registered in the capital region that generate 650 full time jobs and a total estimated annual turnover of 174 million euro; then there are other firms such as bicycle rental firms, pedicabs, bike messengers and firms whose employees cycle during working hours (i.e. postmen) and an increasing number of firms purchasing staff bicycles for use on the job.

### 3.1.2.3 *Cleaning the harbour*

In Copenhagen, 15 years ago, close to 100 overflow channels fed waste water into the harbour. Today, after several municipal strategies and investments to clean up the harbour area, Copenhagen's harbour is much cleaner and much more used by the citizens. Many benefits have been found in this harbour cleaning effort that go beyond the environmental benefits:

- Improved water quality and well-being;
- Revitalization of the local business life, quality of life and tourism;
- Increased value of real estate.

### 3.1.2.4 *Water savings*

In Copenhagen, to help saving water, several initiatives have been taken: installation of individual water meters, price mechanisms, awareness campaigns, and other solutions. Because of these efforts, water usage from 1987 to 2010 went from 171 liters to 108 liters per capita per day: a saving of 63 liters per day per capita - or annual reductions of 23,000 liters per capita, which means savings of roughly 12,410 million liters of water each year and, hence, 62 million euro for the people of Copenhagen.

### 3.1.2.5 *Waste strategies*

Copenhagen produces more than 800,000 tons of waste each year. For the past decades, the city has been reducing the waste produced and used what was produced as a resource, no longer using landfills as a general solution to waste problems: in 2009, only 1.8 percent of the waste produced was sent to landfills compared to over 40 percent in 1988. Instead, waste is recycled or incinerated in combined heat and power plants: 98 percent of houses and apartments in Copenhagen are heated by the district heating system where 50 percent of the energy stems from waste. This is not only an environmental benefit – as the alternative to burning waste would be to burn fossil fuels – it also holds a variety of socioeconomic benefits:

- as Copenhagen is no longer using landfills as a solution, fewer homeowners have to bear the cost;
- the total cost of disposing one ton of waste is 10 euro more expensive than incinerating it. With 800,000 tons of waste produced every year in Copenhagen, this adds up. Moreover, the calculation does not take the value of the energy produced from incinerating the waste into account.

### 3.2 Newcastle Upon Tyne

Newcastle upon Tyne<sup>6</sup> is situated in the North East of England, and has a population of 277,800.

In Newcastle, the Council formulated the vision<sup>7</sup> to **create a vibrant, inclusive, safe, sustainable and modern European city** with the following objectives:



- provide services that are accessible and of consistently good quality, with an emphasis on their effective and efficient delivery, and on value for money, while keeping council tax as low as possible;
- improve educational attainment and support all citizens to fulfil their aspirations and potential, encourage everyone to learn, develop skills and build self-esteem;
- build and support safe and clean neighbourhoods and communities while managing the environment effectively and sustainably;
- create an improved quality of life by working with people and partners, devolving decision-making and empowering individuals and communities to contribute and influence services;
- encourage enterprise, investment, innovation and jobs through a welcoming, forward looking and can-do approach and by building a positive relationship with business and with Europe;
- create an attractive city for people today and tomorrow, with a welcoming natural and built environment and an accessible transport system;
- work to improve all housing, health and well-being across the city and promote inclusion and equality, and seek to help those individuals and communities most in need.

In the [Council Plan](#), four clear priorities aim to focus efforts and resources for the city:

- **A working city** – creating good quality jobs and helping local people develop the skills to do them;
- **Decent neighbourhoods** – working with local communities to look after each other and the environment;
- **Tackling inequalities** – tackling discrimination and inequalities which prevent people from fulfilling their true potential;
- **A fit for purpose council** – a council which leads by enabling others to achieve.

<sup>6</sup> <https://www.newcastle.gov.uk/your-council-and-democracy/statistics-and-census-information/latest-population-statistics/population-current>

<sup>7</sup> <http://www.newcastle.gov.uk/your-council-and-democracy/policies-strategies-and-performance/our-policies-and-strategies/our-vision-and-values>



As can be seen, a strong accent is dedicated to social issues within the city of Newcastle. However, important investments are also foreseen to help local businesses and the local economy: the council argues in its plan that it will work with a range of partners to invest € 545 million in the city over the next years (p.12, Council Plan - 2013/2014).

In terms of environmental issues, Newcastle is also very active and [committed to improve the environment in its progress towards a sustainable city](#), especially through its Environment Policy (YEAR) and its Climate Change Strategy and Action Plan (YEAR). Furthermore, the city aims to [transform Newcastle into a sustainable city](#) by 2021 with excellent air quality, low waste levels, low carbon emissions and high recycling rates.

In its [Environment Policy](#), the Newcastle City Council recognises its responsibility to the environment and aims at:

1. **Reducing the impacts of climate change and the city's contribution to the causes:** limit risks and impacts of flooding and changing weather patterns; improve air quality and reduce pollution; promote sustainable design and construction; promote use of locally produced energy from low carbon and renewable resources;
2. **Live within environmental limits, both locally and globally:** minimise the use of non-renewable natural resources, including fossil fuels and Greenfields sites; reduce waste production and increase reuse and recycling; protect and improve the quality of our groundwater and rivers;
3. **Protect and enhance the City's environmental assets and infrastructure:** protect and enhance the quality and diversity of the City's rural and urban landscapes; protect and enhance the City's geodiversity and biodiversity; promote the development of an integrated green infrastructure for the City.

This policy will be implemented in support of the [Sustainability Charter for Newcastle upon Tyne](#), which was adopted in 2007.

### 3.2.1 Focus areas and examples

In Newcastle, we found several interesting examples of how urban SD is taken into account through a series of initiatives and action plans that we summarise and describe below.

#### 3.2.1.1 Climate Change Strategy and Action Plan

First, through [the Climate Change Strategy and Action Plan](#), Newcastle addresses climate change among its most significant local challenges, accepting its far reaching implications for Newcastle's population. In this understanding, Newcastle embraces the need to do as much as possible locally to reduce its effects while it also strives to develop opportunities for strengthening its economy through science and technology.

Therefore, in 2010, Newcastle committed itself under the EU Covenant of Mayors on Sustainable Energy and developed a [Sustainable Energy Action Plan \(SEAP\)](#) in line with England's carbon reduction targets. Newcastle also started few projects towards climate change mitigation and adaptation measures, such

as for instance **The Newcastle Carbon Routemap** project that has been developing a database for the purposes of understanding the energy and carbon profile of Newcastle upon Tyne at building level.

Other projects described in the SEAP are then related to the area of 'Awareness, Communications & Behavioural Change', in which the approach followed has been intended to give Newcastle's residents the opportunity to improve their knowledge around the causes and impact of climate change and encourage them to take positive action to reduce carbon emissions and help create local sustainable communities through, for instance, a number of actions such as: 1. OurNewcastle; 2. Enviro Schools; 3. Electricity Monitors scheme; 4. Campaign Working with Warmzone; 5. Reductions to Landfill; 6. City Life; 7. Climate Change Partnership; 8. Events; 9. Support of National and International Events.

### **3.2.1.2 Biodiversity Action Plan (BAP)**

The Newcastle [Biodiversity Action Plan](#) (BAP) consists of a series of plans for priority habitats and species in the Newcastle and North Tyneside area, which are considered to be under threat locally and nationally: the objectives and targets of the 'UK Biodiversity Action Plan' were translated and amplified them into a local context. The BAP is a ten-year vision for the protection and enhancement of biodiversity in Newcastle & North Tyneside with the aim of ensuring the management of the natural environment more effectively in order to protect these natural resources and to leave a legacy that will benefit present and future generations. The Biodiversity Action Plan also tries to engage residents to contribute to local, regional and national targets and make a real difference to biodiversity in Newcastle and North Tyneside.

### **3.2.1.3 The Big Green Pledge**

The [Big Green Pledge](#) is an interesting initiative and website started in Newcastle with the main intention of engaging residents in tackling climate change related issues, for instance through facilitating personal pledges at <http://thebiggreenpledge.org.uk/node/add/pledge> that take into account:

- **Small changes at home**, mainly towards improving energy use;
- **Small changes to lifestyle**, for instance by reducing electricity or water consumption;
- **Small changes to personal mobility**, such as i.e. an increase of cycling.

Through this initiative the Newcastle City Council tries also to better communicate its actions and raise awareness among residents (i.e. providing information on climate change). As communicated on its website, the City of Newcastle has been named by Forum for the Future as [the most sustainable city in the UK for the second year running](#) thanks to the city council's work in promoting and implementing a low carbon agenda.

### 3.3 Vienna

Located in central Europe, Vienna is the capital and the largest city in Austria, accounting for a population of nearly 2.5 million in its greater metropolitan area. Its metro system counts around 1.3 million passengers every day and is considered as one of the best performing public transport system in the entire world, according to the [International Association of Public Transport \(UITP, 2008\)](#). Today, Vienna is finding itself on the top lists of sustainable and most liveable cities in several international rankings. According to the international



[Mercer Study](#) in 2012 on urban quality of life, Vienna achieved



the first place for the fourth time in a row. The focus areas taken into account in this ranking are, for example, the city's infrastructure, law enforcement effectiveness, crime levels, medical facilities, etc. [More recently](#), the UN Habitat report on the "State of the World cities" by the UN Human Settlement Programme announced Vienna as the most successful

metropolitan city in terms of production, infrastructure, quality of life, social equity as well as environmental protection.

In the following section we present strategies, initiatives and involved governance players that deal with urban sustainable development in Vienna.

#### 3.3.1 A Strategic Approach to Sustainable Development

There is one policy initiative of significant importance for Vienna's sustainability path: **Smart City Wien** which will be exhibited as a strategic approach to sustainable development in Vienna. Moreover, the **Local Agenda 21 Plus** in Vienna is presented in order to show initiatives on a district level which are implemented, based on the international action plan Local Agenda 21. The sources for the following paragraphs are mostly taken by relevant internet homepages, but also retrieved during a short interview with the person responsible for sustainable development and international cooperation working at the Vienna Municipal Department on Environmental Protection.

##### 3.3.1.1 Smart City Vienna

[Smart City Vienna](#) is a strategic policy document elaborated by the administration of the city of Vienna. The further elaboration of this strategic document is still in progress. However, its framework contains already concrete targets for the future of Vienna as a smart city. Furthermore, it entails certain projects which are branded as smart urban projects in order to show citizens what is done for the city to shape it sustainably and to consolidate Vienna's position as smart city at the international scale. Yet, it is the result of a long-term initiative by the City of Vienna to improve the design, development and perception of the capital which comprises numerous projects in the areas of education, research, building environment, climate protection, society and administration. It is a cross-cutting initiative and addresses all topics relevant in the city's administration regarding resource efficiency, holistic approach to high

quality of life, and applications of innovative technologies. The mission of Smart City Vienna is: (1) to modernise the city towards the reduction of energy consumption and GHGs emissions, and (2) to find intelligent and innovative solutions, which would allow a responsible and sustainable use of resources.

The initiative's **objectives** are:

- reducing GHGs emissions and achieving EU climate protection targets;
- reducing energy consumption;
- increasing the use of renewable sources of energy;
- raising awareness in the wider public about responsible use of resources;
- promoting multi-modal transport systems by improving the public transport network;
- increasing governance participation of citizens;
- positioning Vienna as a model for European environmental city and as a centre for research and technological development at the international level.

The project's leadership of the Smart City Vienna initiative comprises the Municipal Department on Urban Development and Planning as well as the Smart City Vienna Agency "TINA VIENNA Urban Technologies & Strategies Limited. However, the Municipal Department on Energy Planning, the Vienna Municipal Works Holding, Siemens Austria, Austrian Institute of Technology, and many other stakeholders are involved in setting the vision for the mentioned document and a sustainable Vienna.

The areas covered are (1) city administration, (2) research and development, (3) industry, and (4) small and medium-sized enterprises. As a consequence, the political documents **Vision 2050, Roadmap for 2020 and beyond** and **Action Plan for 2012-2015** were written in order to complement the Smart City Vienna strategy. The goal was to provide the strategy with EU targets regarding urban issues, such as energy efficiency and air quality. The Vision 2050, Roadmap for 2020 and the Action Plan reflect stakeholder processes and visionary measurements and action plans in accordance to EU targets.

Various programmes are launched by Smart City Vienna in several fields, such as Education & Research, Building Activity & Living, Transportation & Urban Planning, Environment & Climate Protection, and People & Society. With the intention of providing 'on-the-ground' examples of the typology of projects embraced in Smart City Vienna, we briefly present three projects from the area of **Building Activity & Living**:

- ["Aspern's Vienna Urban Lakeside"](#) is an on-going, 240-hectare urban development project that aims at building 8,500 housing units for 20,000 people by 2028 and creating 20,000 jobs in the fields of service, trade and industry, science, research and education. The new urban lakeside is located in the economic growth region of CENTROPE, right on the Vienna-Bratislava axis where Bratislava can be reached within 28 minutes and Vienna airport within 15 minutes. The overall aim of the project is to provide stimuli for the region's economic development by creating new jobs;
- ["Car-free Living"](#) is a project that supports car-free residential zones in the city by making tenants to commit themselves to giving up their own car when signing their rental agreements. As a result, it is aimed to increase the amount of walking, cycling, using public transport and "car

sharing” pools by those living in these residential zones. The resources saved from reduced garage space are invested in community facilities, alternative building technologies, and bicycle stands;

- **“Marxbox: Austria’s First Green Laboratory Building”** is a building which stands for energy efficiency, modern technology and durability. The building offers flexible ceiling heights and maximum energy efficiency and has been specifically developed for companies in the field of life sciences. Marxbox has been awarded a LEED Gold certification (Leadership in Energy and Environmental Design by the U.S. Green Building Council) because the use of climate-friendly technologies is applied in order to reduce greenhouse gas emissions during the construction, renovation as well as the operation phase of the building.

### 3.3.1.2 Local Agenda 21 Plus Vienna

**Local Agenda 21 Plus Vienna** plays a major role in shaping and designing Vienna more sustainably on a district level. Its governance model supports new forms of cooperation between citizens and politicians and fosters common policy making on the district level. Its basic principles cover (1) sustainable urban development at the district and at the city level, (2) intensive and broad participation of citizens and other relevant actors, (3) long-term sustainable processes etc. Local Agenda 21 Plus Vienna aims at fine-tuning the already existing LA 21 model and at expanding several fields, such as i.e. multi-level governance, methods of participation, knowledge management and learning. In the following box, we present the ‘strategic approaches’ followed by Local Agenda 21 Plus Vienna and the ‘governance bodies’.

**Fig.3: Strategic approaches and governance bodies of LA 21 Plus Vienna**

Strategic approaches	Governance bodies
<ul style="list-style-type: none"> <li>- Further development of good governance processes</li> <li>- Mixture of bottom-up and top-down approaches</li> <li>- Public relations and communication</li> <li>- Competence development, knowledge transfer and knowledge marketing</li> </ul>	<ul style="list-style-type: none"> <li>- Steering groups in the districts</li> <li>- Impulse platforms</li> <li>- Transfer groups</li> <li>- Agenda Offices</li> <li>- Association of Local Agenda 21 in Vienna</li> <li>- Municipal Department on Urban Development</li> </ul>

Local 21 Plus Vienna organises weekly events for citizens in order to exchange and discuss activities on how to shape a greener Viennese urban landscape. Examples of LA 21 Plus projects are:

- **“Aspern’s Vienna Urban Lakeside Environment”** about how to shape the environment of the new area;
- **“Agenda Group for Cyclers”** a homepage that provides all relevant facts for cycling in the district regarding projects, actions, appointments, routes, tips and tricks;
- **“Community Yard Norwegerviertel”** where citizens can plant a garden on a community area and exchange hints around gardening.

### 3.3.2 SD in Vienna, focus areas and examples

As the city outlines, the most important projects and achievements in terms of environmental sustainability in Vienna range from energy, climate protection, air, green space planning, sustainable urban development, drinking water and sewage, ecology with the housing, traffic to environmental

protection in Viennese enterprises. In order to look into specific projects and identify focus areas by practical cases, this section provides two examples of programmes on sustainable production and consumption in Vienna:

- [“EcoBusinessPlan Vienna - The Environmental Service Package of the City of Vienna”](#) has been launched in 1998 and so far counts 974 participating enterprises which are implementing more than 11,000 environmental actions and projects. The EcoBusinessPlan aims, for instance, at improving the competitive position of Viennese businesses through more efficient use of resources sustaining employment over the medium term, contributing to de-coupling economic growth from resource consumption and environmental damage. Its achievements since 1998 can be seen in the reduction of solid waste output by around 120,000 tons, the reduction of 240, 000 tons of CO<sub>2</sub> emissions, and the reduction of drinking water consumption reduced by 2,400, 000 m<sup>3</sup>;
- [“EcoBuy Vienna programme for sustainable public procurement”](#) to promote resource efficiency has been commended by the EU Commission as an extraordinarily effective project of resource efficiency. Through this project, the Vienna City Administration has applied ecological criteria to procurement procedures for more than ten years. It shows achievements regarding a reduction of 30,000 tons CO<sub>2</sub> emissions per year. Through installing water saver fittings in public schools, kindergartens and office buildings, it helped to reduce € 1.5 million. In sum, € 17 million per year could be saved with this project with reductions in resource consumption (i.e. energy, raw materials and water) and waste output.

Other projects referring to climate and energy programmes also play a major role in shaping the city more sustainably, such as for instance:

- [Climate Protection Programme KLIP](#);
- [Urban Energy Efficiency Programme SEP](#);
- [Urban Development Plan STEP](#);
- [Vienna Charter](#);
- [Vienna’s ElectriCity Busses](#).

Regarding future steps towards a sustainable Vienna, the [urban development plan Vienna 2025](#) has been launched by the City of Vienna in 2013, but has not yet been adopted. It has initiated a broad discussion, exchange and participation process on the future development of Vienna in the fields of growth, public space and plans on how Vienna should look like in 2025. Vienna 2025 entails visions and goals and should be ready in mid-2014. The plan will be integrated in the political agenda and shall be incorporated into everyday working process of the city (Vienna City Administration, 2014). Apart from strategic approaches to shape Vienna sustainably, international cooperation, such as the collaboration of Vienna with city networks (e.g. Eurocities) will remain of great significance in the future because city networks offer cities a strong positioning within the EU, clear communication on EU targets, and a platform to exchange and lobby on urban concerns.





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# Transition management as a governance tool for sustainable development

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ESDN Case Study N° 17



European Sustainable Development Network



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## 1 Introduction

This case study directly relates to our work on the [ESDN Quarterly Report No. 33](#) that explores the topic sustainability transitions and transformative environmental and sustainability policies. In this case study, we focus on the transition management approach as a tool and a valuable lens under which to consider on governance for SD and SD policy. This case study complements [ESDN Case Study No. 18](#) that provides a deeper overview on one of the six national initiatives at European level towards sustainability transitions, namely Finland.

## 2 What is transition management

Transitions are understood as multilevel, multiphase processes of structural change in societal systems; they realise themselves when the dominant structures in society (regimes) are put under pressure by external changes in society, as well as endogenous innovation (Loorbach, 2010, p.166).

One of the four main strands of research that have been identified in the literature is the so-called 'Transition Management approach' (Markard et al., 2012). This approach is particularly interesting as it offers a practical operationalization and a way to facilitate transition governance. In the context of sustainable development, one of the most interesting facets of transition management is that it "seeks to overcome the conflict between long-term imperatives and short-term concerns" (Kemp and Loorbach, 2006, p.125)<sup>1</sup>, which is probably one of the most crucial difficulties that policy-makers who deal with governance face on a daily basis.

In light of sustainable development (SD) and governance models, three important considerations are raised by Loorbach (2010, p.166):

1. All societal actors exert influence and thus direct social change, being aware of the opportunities as well as the restrictions and limitations of directing;
2. Top-down planning and market dynamics only account for part of societal change; network dynamics and reflexive behavior account for other parts;
3. Steering of societal change is a reflexive process of searching, learning, and experimenting.

With this in mind, a form of governance is, therefore, suggested by Loorbach (2010) based on complexity. We summarised its main principles in the following Box 1 as they also furnish several important points for reflecting on governance for SD in general.

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<sup>1</sup> KEMP., R. and D. LOORBACH (2006) Transition management a reflexive governance approach, (chapter 5) In: Reflexive Governance for Sustainable Development [Jan-Peter Voss, Dierk Bauknecht, René Kemp: Edward Elgar Publishing]

### Box 1: Main principles for a new form of governance

- ***The dynamics of the system create feasible and nonfeasible means for steering: content and process are inseparable.*** Process management on its own is not sufficient—insight into how the system works is an essential precondition for effective management;
- ***Long-term thinking (at least 25 years) is a framework for shaping short-term policy in the context of persistent societal problems.*** This means back and forecasting: the setting of short-term goals based on long-term goals and the reflection on future developments through the use of scenarios;
- ***Objectives should be flexible and adjustable at the system level.*** The complexity of the system is at odds with the formulation of specific objectives and blueprint plans. While being directed, the structure and order of the system are also changing, and so the objectives set should change too;
- ***The timing of the intervention is crucial.*** Immediate and effective intervention is possible in both desirable and undesirable crisis situations;
- ***Managing a complex, adaptive system means using disequilibria as well as equilibria. Relatively short periods of nonequilibrium therefore offer opportunities to direct the system in a desirable direction*** (toward a new attractor);
- ***Creating space for agents to build up alternative regimes is crucial for innovation.*** Agents at a certain distance from the regime can effectively create a new regime in a protected environment to permit investment of sufficient time, energy, and resources;
- ***Steering from “outside” a societal system is not effective:*** structures, actors, and practices adapt and anticipate in such a manner that these should also be directed from “inside”;
- ***A focus on (social) learning about different actor perspectives and a variety of options is a necessary precondition for change;***
- ***Participation from and interaction between stakeholders is a necessary basis*** for developing support for policies but also to engage actors in reframing problems and solutions through social learning.

Source: Loorbach, 2010, pp.167-168

Based on this conceptual context, Kemp and Loorbach (2006) describe the key elements of transition management as:

- **system-thinking** in terms of more than one domain (**multi-domain**) and different actors (**multi-actor**) at different scale levels (**multi-level**);
- **long-term thinking** (at least 25 years) as a framework for shaping short-term policy;
- **back-casting and forecasting:** the setting of short-term and longer-term goals based on long-term sustainability visions, scenario studies, trend analysis and short-term possibilities;
- **a focus on learning** (i.e. learning-by-doing, doing-by-learning, through experiments);
- **an orientation towards system innovation and experimentation;**
- learning about a **variety of options**;
- **participation** by and interaction between stakeholders.

In the transition management framework, four different types of governance activities are identified that are relevant to societal transitions: strategic, tactical, operational, and reflexive (see Box 2 below).

**Box 2: Types of governance activities for transition management**

- **Strategic activities** are all those activities and developments that deal primarily with the “culture” of a societal system as a whole (i.e. debates on norms and values, identity, ethics, sustainability). Among these activities, very crucial for transition management are processes of vision development, strategic discussions and long-term goal formulation.
- **Tactical activities** are those steering activities that are interest driven and relate to the dominant structures (*regime*) of a societal system, therefore including rules and regulations, institutions, organizations and networks, infrastructure, and routines.
- **Operational activities** are those experiments and actions with a short-term horizon and often carried out in the context of innovation projects and programs, but understood in an inclusive manner, hence, as including all societal, technological, institutional, and behavioral practices that introduce or operationalize new structures, culture, routines, or actors.
- **Reflexive activities** relate to monitoring, assessments and evaluation of ongoing policies, and ongoing societal change, either located within existing institutions established to monitor and evaluate, either when socially embedded (i.e. the media and Internet, science and research). Such reflexive activities are necessary to prevent lock-in and to enable exploration of new ideas and trajectories. It is essential to emphasise that from a transition management perspective, however, the reflexivity needs to be an integrated part of governance processes.

Source: Loorbach 2010, p.168

The approach of transition management includes several steps but is not intended as a method as such as it needs adaptation to every issue at hand. Kemp and Loorbach (2006) propose the following activities for ‘**managing transition**’:

- (a) Transition arenas and multi-actor governance;
- (b) Problem definition and development of a shared problem perception;
- (c) Creation of a transition vision and transition goals;
- (d) Transition paths (possible routes toward the final image), interim objectives and the building of a coalition;
- (e) Programmes for system innovation through new technologies in society and experimenting;
- (f) Monitoring, evaluating and learning; and,
- (g) Creating and maintaining public support, and broadening the coalition.

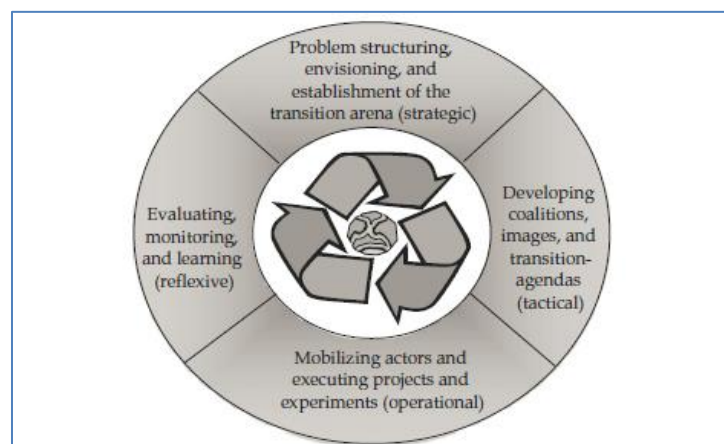
### 3 The transition management cycle

In terms of the implementation of the transition management approach, Loorbach (2010)<sup>2</sup> suggests the so-called ‘**Transition Management Cycle**’ (Fig.3) that is represented by a cyclical process model through four main blocks:

1. Structure the problem in question, develop a long-term sustainability vision and establish and organize the transition arena;
2. Develop future images, a transition agenda and derive the necessary transition paths;
3. Establish and carry out transition experiments and mobilize the resulting transition networks;
4. Monitor, evaluate, and learn lessons from the transition experiments and, based on these, make adjustments in the vision, agenda, and coalitions.

In reality, there is no fixed sequence of the above steps in transition management. The cycle only visualizes the *need to connect activities* and presents some possible logical connections, but does not suggest a sequential order of activities (Figure 3 below).

**Fig.3: The Transition Management Cycle**



Source: Loorbach, 2010

#### 3.1 The Transition Arena

A fundamental part of the transition management approach is the establishment of a so-called ‘**transition arena**’ that is defined as *an institution for facilitating interaction, knowledge exchange and learning between actors* (Kemp and Loorbach, 2006), and it is, therefore, seen as an open and dynamic societal network of innovation (Van Buuren and Loorbach 2009)<sup>3</sup>.

<sup>2</sup> LOORBACH, D. (2010) Transition Management for Sustainable Development: A Prescriptive, Complexity-Based Governance Framework. *Governance: An International Journal of Policy, Administration, and Institutions*, Vol. 23(1), pp.161–183

<sup>3</sup> Van Buuren, A., and D. Loorbach. 2009. “Policy Innovation in Isolation? Conditions for Policy-Renewal by Transition Arenas and Pilot Projects.” *Public Management Review* 11 (3): 375–392.

Loorbach (2010) describes the transition arena as a **small network of frontrunners** – not too many (10-15) – with different backgrounds and their own perception of the transition issue in question from their specific perspective. It is very important to emphasise that these people **participate on a personal basis** and **not as a representative of their institution** (i.e. government, business, science, civil society). These frontrunners do not necessarily need to be experts; they can also be networkers or opinion leaders. They should also be prepared to invest time and energy in the process of innovation and commit themselves to it. It is crucial that an equal number of frontrunners from the societal pentagon are represented: government, companies, NGOs, knowledge institutes, and intermediaries (i.e. consulting organizations, project organizations and mediators). The competencies expected of them and are:

- (1) ability to consider complex problems at a high level of abstraction;
- (2) ability to look beyond the limits of their own discipline and background;
- (3) enjoy a certain level of authority within various networks;
- (4) ability to establish and explain visions of sustainable development within their own networks;
- (5) willingness to think together; and,
- (6) being open for innovation instead of already having specific solutions in mind.

The main efforts of the group of frontrunners are made towards reaching a joint perception of the problem and the generation of sustainability visions.

Based on the sustainability vision developed, a process can be initiated in which *transition paths* are developed and a *common transition agenda* is drawn up.

### 3.2 The Transition Agenda

A common **transition agenda** contains a number of joint objectives, action points, projects, and instruments to realize these objectives. It should be clear which party is responsible for which type of activity, project, or instrument that is being developed or applied. Where the sustainability visions and the accompanying final transition images and transition objectives form the guidelines for the transition agenda that is to be developed, **the transition agenda itself forms the compass for the frontrunners** that they can refer to during their research and learning process.

The **transition agenda has different phases**: In its first phase, the transition arena is a relatively small network of innovators and strategic thinkers from different backgrounds that discusses the transition problem integrally and outlines the transition goals. Then, further on in the process, the network will expand to include less strategically oriented actors (i.e. local authorities, people with practical knowledge about processes of change) in order to develop transition paths: routes to a transition image via intermediate objectives, which, as they come closer, can be formulated more quantitatively. In this phase, the interests, motives, and policy of the various actors involved (NGOs, governments, knowledge institutes, and intermediaries) come out. The actors who should be involved at this stage are those who represent one of the organizations involved, especially those who have sufficient authority within their own organization and who also have insight into the opportunities for their organization to contribute to the envisaged transition process. An important condition for this is that the actors involved have the capacity to “translate” the transition vision and the consequences of this to the transition agenda of their own organization.

### 3.3 Transition Experiments

Finally, **short-term experiments and actions** are derived from the goals and paths, and more operationally oriented organisations and actors will be involved. In this process, the selection of participants to the transition arena is particularly crucial: what is needed are participants that are frontrunners, visionaries and are able to look beyond their own domain and be open minded (Kemp and Loorbach, 2006, p.112). Transition management at this level focuses on creating a portfolio of related transition experiments that complement and strengthen each other, have a contribution to the sustainability objective, can be scaled up, and are significant and measurable.

*Transition experiments represent iconic projects with a high level of risk that can make a potentially large innovative contribution to a transition process.* At the operational level of transition management, transition experiments and actions are carried out that try to broaden, deepen, and scale up existing and planned initiatives and actions. The transition experiments need to fit within the context of the vision and transition paths developed and are derived directly from the developed sustainability vision and transition objectives.

When an experiment has been successful (in terms of evaluating its learning experiences and contributions to the transition challenge), it can be repeated in different contexts (**broadening**) and scaled up from the micro- to the mesolevel (**scaling up**). This requires a considerable amount of time—approximately 5-10 years. Transition experiments are often costly and time consuming, so it is important that wherever possible, existing infrastructure (physical, financial, institutional) is used for experiments, and that the experiment's feasibility is continuously monitored.

### 3.4 Transition monitoring and evaluation

**Continuous monitoring** is a vital part of the search and learning process of transitions. Integration of monitoring and evaluation within each phase and at every level of transition management may stimulate a process of social learning that arises from the interaction and cooperation between different actors involved. To ensure this, transition monitoring is about reflecting collectively upon the process and in this way articulating next steps.

However, there are two kinds of monitoring to take into consideration:

- **Monitoring the transition process** involves physical changes in the system in question, slowly changing macrodevelopments, fast niche developments, and seeds of change, as well as movements of individual and collective actors at the regime level. This provides the “enriched context” for transition management.
- **Monitoring of transition management** involves different aspects: actors (i.e. behavior, networking activities, alliance forming and responsibilities, activities, projects, and instruments); actions, goals, projects, and instruments; transition experiments (i.e. new knowledge and insight, social and institutional learning); and the transition process itself (i.e. rate of progress, barriers and points to be improved).



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# Sustainability transition in Finland: Society's commitment to sustainable development

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ESDN Case Study N°18



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# 1 Introduction

Currently, there is an ongoing and very lively debate about future aspects of sustainable development on the international level (e.g. Rio+20 follow-up, post 2015 debate and SDGs) as well as on the national European level. Several EU member states work towards societal commitments for sustainable development, transformative issues, and long-term perspectives up to 2050 which signify important new angles for sustainable development. The Finnish sustainability transition initiative, [“The Finland we want by 2050 – Society’s commitment to sustainable development”](#), can be considered as a good practice in this context and was, therefore, chosen for this case study.

This case study directly relates to our work on the [ESDN Quarterly Report No. 33](#) that explores transformative environmental and sustainability policy, new thematic issues and governance modes and illustrates international as well as national initiatives through the lenses of transformative future vision building. The case study on Finland’s national initiative “The Finland we want by 2050 – Society’s commitment to sustainable development” and the country’s innovative approach towards sustainability transitions presents the motivation, the main drivers and implementation processes of a national sustainability transition approach.

In order to provide an idea of the meaning of transition, a couple of definition examples are provided in the following paragraph: In general terms, a transition is defined as a process of change from one state to another. In one of the field’s most foundational papers, Rotmans et al. (2001) define ‘transitions’ as “transformation processes in which society changes in a fundamental way over a generation or more”(p.015). A transition is, therefore, a “gradual, continuous process of change where the structural character of a society (or a complex sub-system of society) transforms” (ibid. p.016). Furthermore, a transition can be seen as a “set of connected changes, which reinforce each other but take place in several different areas, such as technology, the economy, institutions, behaviour, culture, ecology and belief systems” (ibid.). Accordingly, Markard et al. (2012) describe transition as involving “far-reaching changes along different dimensions: technological, material, organizational, institutional, political, economic, and socio- cultural” (2012, p.956). Transitions - they argue - “involve a broad range of actors and typically unfold over considerable time-spans (e.g., 50 years and more). In the course of such a transition, new products, services, business models, and organizations emerge, partly complementing and partly substituting for existing ones”.

The information for this case study is based on the “The Finland we want by 2050” document, the [power point presentation](#) given by Sauli Rouhinen (Finnish Ministry of Environment) at the 11<sup>th</sup> ESDN Workshop in Berlin on June 26, 2014, and the written answers (via email) by Mr. Rouhinen to the following questionnaire (see Box 1):

**Box 1:** Questionnaire on national transformative environmental and sustainability policy

1. What was the motivation behind the development of your national initiative for transition towards SD? Who was the driver behind the initiative? When did you start the process?

2. Which approaches influenced or inspired the process of your “transition” initiative?
3. How did you design the process for developing the “SD transition” activities? Which concrete steps are/were foreseen?
4. Which ministries and stakeholders are/were involved in the process of developing the SD transition activities? What are/were the key actors in the design phase?
5. What are the concrete objectives and targets of your SD transition activities? How are they related to current policy initiatives at the international (e.g. UN, OECD) and European level?
6. How does the process of implementing the SD transition activities look like? Which actions and which timeframes are foreseen?
7. Which institutions and stakeholders are involved in the implementation of your “transition” activities towards SD?

## 2 Finland’s sustainability transition initiative and its motivation

In this chapter, the development and motivation of the Finish sustainability transition initiative is portrayed as well as its main drivers and influencing initiatives.

Finland has a long tradition of sustainable development strategies which dates back to the 1990s. In 2009, the national SD strategy (NSDS) from 2006 was assessed and it was remarked that the steering effect of this strategy is low and that actors are sceptical about the usefulness of the strategy process. Even though there was progress in technical, conceptual and societal learning identified, a more participatory approach was suggested to further foster sustainable development. The assessment of the NSDS also expressed the need for a renewed concise document that

- clearly defines the targets and target levels of Finnish sustainable development;
- outlines the principles of sustainable development that must be followed in policy planning;
- specifies the role and responsibilities of the actors in the implementation of the strategy; and
- presents a model for monitoring the achievement of the targets.

The main driving institution for the new transition document was the Finish National Commission on Sustainable Development (FNCSD) which is responsible for coordinating the national SD policy process. In 2011, the FNCSD decided to take a totally different approach in the NSDS process than was the case before. At that particular point in time, about 100 national strategies for various policy sectors existed in the government’s strategy portfolio. The new strategy process proposed by the FNCSD started in early 2012 with a series of workshops for three different target groups:

- a) The network secretariat of the FNCSD (about 15 contact persons from different ministries);
- b) For those responsible for the strategies of SD relevance in the government strategic portfolio; and
- c) Experts, researchers, NGOs representing different fields of expertise on sustainable development.

After discussing the findings of these workshops, the Ministry of Environment decided for an SD strategy team with a mandate to produce a proposal for a national society's commitment to sustainable development. This "society's commitment" approach was discussed and approved in the FNCSD and in the Ministry of Environment. Eventually in 2013, the strategy group which comprises 18 members (from different ministries, the business sector, trade unions, NGOs, local authorities etc.) finished the proposal for the Society's Commitment to Sustainable Development.

The document "The Finland we want by 2050 – Society's commitment to sustainable development" is also influenced by the Rio+20 Outcome Document "The future we want", the proposed Sustainable Development Goals, the German WBGU "A Social Contract for Sustainability", the Stockholm Memorandum by the Nobel Prize Laureates (2011), and the OECD Environment Outlook 2050, and academic work on the transition management work by Jan Rotmans and his colleagues. This national vision clarifies the concept of sustainable development in terms of principles, main targets and performance indicators as well as regarding the vision of Finland in the global context.

In particular, with regards to the document's content, it pictures the vision of Finland by 2050 which is supposed to be a prosperous Finland within the limits of the carrying capacity of nature. Besides identifying eight shared objectives, Finnish principles for sustainable development, the establishment of operational commitments and monitoring of objectives, the strategy aims at tackling the national challenges regarding sustainable development which include high material consumption, carbon dioxide emissions, biodiversity loss, the sustainability gap and value creation and the safeguarding of the Finish welfare state.

### 3 Main objectives of the Finish transition process and document

In this chapter, the main objectives of the political transition process and the content-based aims are outlined.

The overall aim of the society's commitment process is to build a political consensus framework for the sustainability transition. The next step is to develop partnerships with key players in the economy and in the Finnish society in order to operationalize the framework commitment. In other words, enabling the first steps towards changing lifestyles and everyday practices, starting pilot projects, investing in innovative processes, etc.

Besides the political process-related objectives, the document "The Finland we want by 2050", enlists eight shared objectives which approach sustainable development from the perspectives of the well-being of people and the environment, a healthy and sustainable economy and the promotion of sustainable lifestyles. In formulating these objectives, the following principles of sustainable development were considered: global responsibility, cross-generational thinking, the limited carrying



capacity of nature, cooperation, and the creative utilisation of knowledge and expertise. For further information concerning the content-related objectives of the national strategy, please consult the box below:

**Box 1: Shared objectives**

1. Equal prospects for well-being	Good health, education and employment for all members of the society.
2. A participatory society for citizens	All citizens can fully take part in developing our society. More transparent administration: open and public information.
3. Sustainable Work	A high employment rate, improved productivity , profitability and quality of work. Promotion of green economy.
4. A carbon-neutral society	A national roadmap towards a carbon-neutral society by the year 2050. Improved energy efficiency, increased share of renewable energy. Intelligent infrastructures
5. Consumption/ Lifestyle that accounts for the limited carrying capacity of nature	Bring the global consumption of natural resources to an environmentally sustainable level by 2050. Lifestyles based on non-material consumption and services that sustain such lifestyles.
6. Sustainable local communities	Strengthened local communities by supporting an active civil society. More meeting places. Pleasant and healthy living environments.
7. An economy that is resource wise	Finland, a forerunner in socially responsible business operations. Sustainable and competitive solutions, both nationally and globally.
8. Decision-making that respects nature	Strengthened guidance that promotes biodiversity and the sustainable use of natural resources

Each of the eight objectives will be provided with indicators developed by the secretariat general of the Finish National Commission on Sustainable Development with the support of the national network of indicator experts in order to monitor and follow-up the implementation process of these objectives.

## 4 Designing and implementation processes of the Finnish sustainability transition initiative

This chapter gives an overview of the developing and implementation processes of the Finnish national initiative for transition towards sustainable development as well as the involvement of stakeholders accompanying designing and implementation practices.

### 4.1 Design and steps of processes

The choice of the “society’s commitment” approach was developed and approved by the FNCSD on the political level. Afterwards, the first set of key political issues was discussed and chosen in three expert workshops. The draft and proposal for the society’s commitment to SD (“The Finland we want by 2050”) was produced by a strategy group facilitated by a consultant (Gaia Consulting). The political discussion and the approval of the society’s commitment were made in the FNCSD. The commitment consists of a vision statement, basic principles of SD, eight goal statements and guidelines for the implementation and monitoring of the commitment. A set of SD indicators was developed in a national indicators network and approved by the FNCSD in April 2014. A campaign-like process for establishing operational commitments of various societal actors (e.g. ministries, firms, organizations, NGOs, schools, universities, etc.) has been started in February 2014. In late May 2014, there were more than 40 operational commitments made. The discussions on medium-term goals/targets (2020-2030) have also started. The FNCSD secretariat has started scanning the relevant strategies, action programs, and foresight reports (some of them in the political process). The political process on the SDG targets will also influence the further development of the society’s commitment and its goals. The operational commitments made by the societal actors will be monitored and their duplication and generalization potential discussed in the FNCSD.

### 4.2 Process of implementing the SD transition

In order to reach the objectives set in the national document, “The Finland we want by 2050”, it was planned to establish operational commitments, the distribution of social commitments and the monitoring of objectives.

*Operational commitments* has been established with administrative branches and other societal operators, such as companies, municipalities, organisations, educational institutions and local operators. These societal operators commit themselves to carry out measures and changes in operating procedures and innovative trials that promote shared goals and can be carried out in the next 5 to 10 years.

*The distribution of societal commitments* is planned in order to reach as many operators as possible and to spread the commitment work as far and wide as possible. The aim of the process is to combine the efforts of the public, private and third sectors in promoting a sustainable economy in Finland.

The *monitoring of the societal commitments* is supposed to be carried out by the Finnish National Commission on Sustainable Development which shall promote and monitor the realization of the societal commitments. Impact and monitoring indicators will be used for continuous monitoring in real time of how the shared objectives have been reached and individual societal commitments are carried out. The progress of the commitments will also be discussed at annual events.

### 4.3 Involvement of stakeholders

As mentioned above, the involvement of stakeholders plays a fundamental role in the design and implementation processes of the Finnish sustainability transition initiative: The Finnish National Sustainable Development Commission with its 50 members, including almost all ministries as well as the National Innovation Fund Sitra and the Technological Innovation Fund TEKES, played a crucial role in the process of developing and implementing the SD transition activities. Societal actors and their operational commitments have also proven to be of high relevance in the implementation phase.

## 5 Conclusion

In order to recapitulate and wrap-up the main features of the Finnish sustainability transition initiative, we want to highlight the following issues:

Essentially, the “Finland we want by 2050” document

- *clarifies the idea of sustainable development* for politicians, business, citizens and policy sectors;
- *strengthens the coherence of several policy strategies and action programs*: the government program 2015-2018, foresight report 2030, energy and climate strategy 2050, natural resources 2050;
- is implemented by *operational commitments by a multitude of stakeholders*: scientific community and civil society, business, policy sectors and municipalities;
- is *monitored by performance indicators* ([www.findicator.fi](http://www.findicator.fi)) and process indicators of operational commitments;
- gives a *policy framework for the Finnish innovation funds* [Sitra – The Finnish Innovation Fund](#) and [Tekes – The Finnish Funding Agency for Innovation](#)

Further information on the Finnish SD processes can be found here:

- <http://www.ym.fi/sitoumus2050>– mostly in Finnish, but more material in English will be available after a couple of months.
- <http://www.ym.fi> > The Environment > Sustainable Development
- The SD indicators can be found here: <http://www.findicator.fi/en/kestavakehitys>

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***National Sustainable Development Strategies  
processes in Southern European EU Member States:***

**Experiences & socio-economic and environmental challenges**

*Umberto Pisano & Gerald Berger*

**ESDN Case Study N°19**



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**ESDN Case study 19 – October 2014*****National Sustainable Development Strategies  
processes in Southern European EU Member States*****Experiences & socio-economic and environmental challenges**

by

[Umberto Pisano](#) & [Gerald Berger](#)

This ESDN Case Study is part of the work undertaken by the ESDN Office with regard to National Sustainable Development Strategies and related processes in selected EU Member States. It provides an outlook of the practices and experiences from four southern European EU Member States: Greece, Italy, Portugal and Spain. Together with the [ESDN Quarterly Report October 2014](#), it serves also as input for the ESDN Conference 2014.

In the first chapter, we present an overview of the current situation of the four countries in the southern part of the European Union. Our intention is to portray the main aspects of the socio-economic and environmental situations in these countries in order to identify challenges that also impact on SD policy, in general, and the National Sustainable Development Strategies, in particular. In so doing, we used seven indicators (mostly retrieved from Eurostat), namely: (i) real GDP per capita; (ii) unemployment rate (with a particular look over the youth unemployment rate); (iii) inequality of income distribution; (iv) general government gross debt; (v) greenhouse gas emissions; (vi) share of renewable energy in gross final energy consumption; and, (vii) the Sustainable Society Index developed by the Sustainable Society Foundation.

The second chapter provides a comparative overview of the experiences made by the four Southern European EU Member States with their National Sustainable Development Strategies. We also include a general European perspective on the subject, so that a more complete picture emerges. The chapter is divided into six sections, ranging from a provision of the basic information about NSDSs, to vertical and horizontal integration mechanisms, evaluation, monitoring processes, and, finally, participatory arrangements.

Finally, the third chapter concludes and summarises the main points elaborated in the course of the case study.



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# 1 Socio-economic and environmental situation in four Southern European EU Member States

In this chapter of the Case Study, we provide an overview of the current situation of four countries in the southern part of the European Union: Greece, Italy, Portugal and Spain. Our intention is to portray main aspects of the socio-economic and environmental situations in these countries in order to identify challenges that also impact on SD policy in general and the National Sustainable Development Strategies, in particular.

## 1.1 Background

Since the economic and financial crisis in 2008, Europe has been experiencing a time of severe challenges, especially from economic (i.e. stagnation) and social (i.e. unemployment) points of view. In addition, environmental problems are getting more intertwined than ever before as in the case, for instance, of climate change and related floods or heat waves, to cite only a few issues.

In this context, such a period of crises has particularly affected the EU Member States in the southern of the EU. For this reason, we investigate what challenges are faced in Italy, Spain, Portugal and Greece with regards to socio-economic and environmental crises and how they impact on their NSDS processes. In general, we are interested in portraying an overall picture of these particularly strong socio-economic-environmental challenges that may also create limitations and barriers for SD policies and in the context of National Sustainable Development Strategies, but could also be seen as opportunities to foster new approaches for policy strategies and renewed efforts towards SD.

In 2010, the European Union has launched a new ten-year overarching growth strategy that includes SD aspects – the Europe 2020 Strategy – and has slowly but steadily side-lined the renewed European Strategy for Sustainable Development (EU SDS) of 2006 as guiding strategy for SD in Europe. However, despite of this ‘downgrading’ of the EU SDS, we found out that many EU Member States are still very active in their work on national SD strategies (NSDSs), e.g. by renewing their NSDSs, peer reviewing them, and using qualitative and quantitative evaluation results in their further strategic planning for SD (i.e. Belgium, Finland, France, Hungary, Germany).

In this introductory chapter of the Case Study, our intention is, therefore, to portray of the current situation in the four cited countries in Southern Europe, by using a selected number of indicators<sup>1</sup> (data was in most cases drawn from Eurostat):

1. Real GDP per capita;
2. Unemployment rate (with a particular look over the Youth unemployment rate);
3. Inequality of income distribution;
4. General government gross debt;
5. Greenhouse gas emissions;
6. Share of renewable energy in gross final energy consumption;
7. Sustainable Society index.

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<sup>1</sup> Please find definitions of the selected indicators in Annex I

## 1.2 Main socio-economic trends in Southern EU Member States

### 1.2.1 Real GDP per capita

Although GDP has been used for a long time as a proxy for progress, it has also been criticized for its inability to measure societal well-being or to take into account environmental degradation (see for instance: Stiglitz et al., 2009<sup>2</sup>; Costanza et al., 2009<sup>3</sup>). Nevertheless, GDP per capita is still used in policy as a reference for economic development and for its links to jobs creation or to R&D investments. By definition, 'Gross Domestic Product' (GDP) is a measure of the economic activity, defined as the value of all goods and services produced less the value of any goods or services used in their creation. The calculation of the annual growth rate of GDP volume is intended to allow comparisons of the dynamics of economic development both over time and between economies of different sizes.

In our case, we show the trend of the indicator known as 'real GDP per capita', which is calculated as the ratio of real GDP to the average population of a specific year. 'Real GDP per capita' is often used as an indicator of how well off a country is, since it is a measure of average real income in that country.

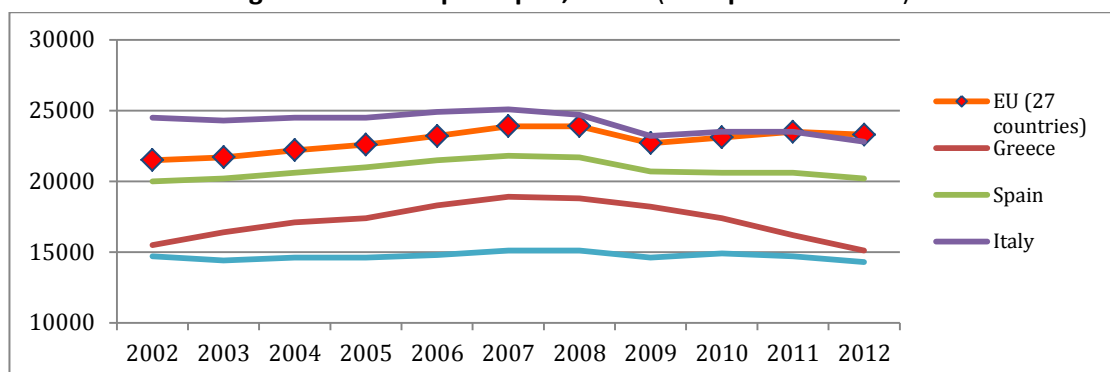
Eurostat reports that, before the economic crisis of 2008, GDP per capita in the EU was continually on the rise with an average growth between 1995 and 2007 of 2.4 %. This trend was severely interrupted by the sudden economic downturn, which started in 2008 and fully hit the EU in 2009 with an economic decline of 4.8 %. In these difficult times, the EU responded with different measures, such as for instance rescue packages, car scrapping schemes, provision of fiscal stimulus, and banking sector support.

In Greece, Italy, Portugal and Spain it seems that the crises has had longer effects than in other EU Member States. As shown in the following graph (Fig.1.1), the trend in these countries' indicator was similar to the rest of the EU until 2007 with a growth trend. From 2008 to 2012, the four countries all suffered a decrease in Real GDP per Capita (calculated in Euro per inhabitant): respectively, Greece saw the strongest decrease with a minus of €3,700, Italy with minus €1,900 (and minus €2,300, for the year 2013), Spain with minus €1,500 (and minus €1,600, for the year 2013), and Portugal with minus €800.

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<sup>2</sup> STIGLITZ, J.E., A.K. SEN, and J.-P. FITOUSSI (2009). 'Report of the Commission on the Measurement of Economic Performance and Social Progress'. Available at: [www.stiglitz-sen-fitoussi.fr](http://www.stiglitz-sen-fitoussi.fr)

<sup>3</sup> COSTANZA, R., M. HART, S. POSNER and J. TALBERTH (2009). 'Beyond GDP: The Need for New Measures of Progress'. The Pardee Papers No.4. Boston: Boston University Creative Services

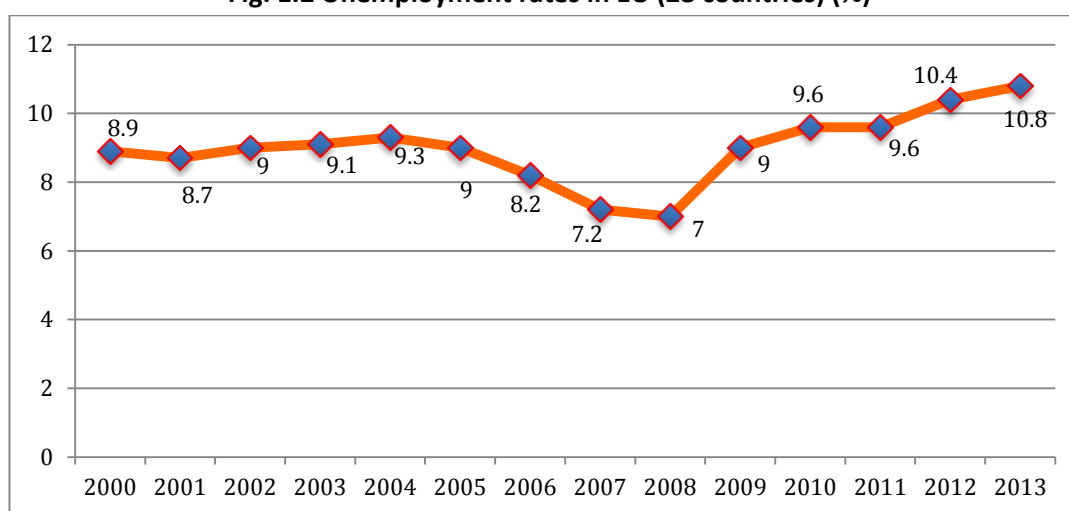
**Fig. 1.1 Real GDP per capita, EU-27 (Euro per inhabitant)**

Source: Eurostat, 2014

### 1.2.2 Employment, unemployment and youth unemployment

Employment contributes to economic performance, quality of life and social inclusion, and thus is one of the cornerstones of socio-economic development and well-being (Eurostat, 2013, p.28). On the other hand, unemployment hits hard on people's lives, on families and on future prospects. For these and many other reasons, countries put particular attention on fighting unemployment and, as an example, the Europe 2020 Strategy included the aim of raising the employment rate to 75% for women and men aged 20 to 64 by 2020.

The general trend to fight unemployment in Europe has been mostly a positive one in the years from 2000 to 2008 (see Fig. 1.2). However, when looking at the figures from 2000 to 2012, the unemployment rate for EU-28 increased from 8.9 in 2000 to 10.8 in 2013, therefore increasing by 1.9 percentage points.

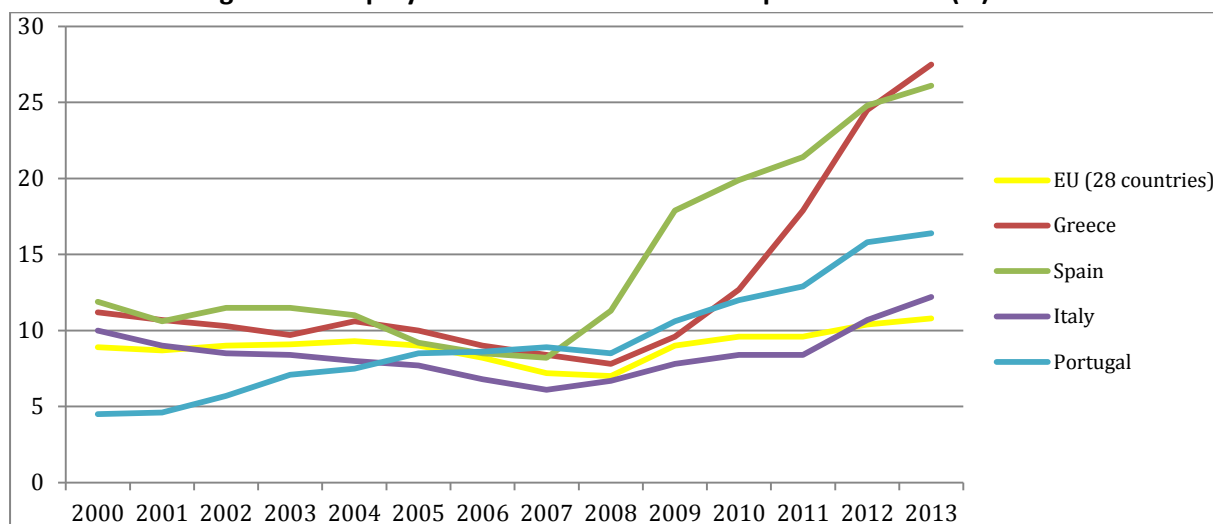
**Fig. 1.2 Unemployment rates in EU (28 countries) (%)**

Source: Eurostat, 2014

A clear increase has been registered in 2009 with a 2% increase compared to the year 2008, which goes together with the start of the financial crises. In this period, the EU suffered a 3.8 percentage points increase in the unemployment level compared to 2008.

These issues have been felt more strongly and dramatically in the four Southern European EU member States, although with some differences in timing and intensity. As can be seen in the following **Fig. 1.3**, in which we also indicate the EU trend of the same period, the strongest rises in unemployment were faced in Spain and in Greece, where from 2008 to 2013, the unemployment increased 14.8 and 19.7 percentage points respectively. In the same period, Portugal has suffered an increase of almost 8 points, whereas Italy has seen unemployment rising from 6.7 to 12.2, close to doubling the 2008 numbers (with a plus 5.5 percentage points).

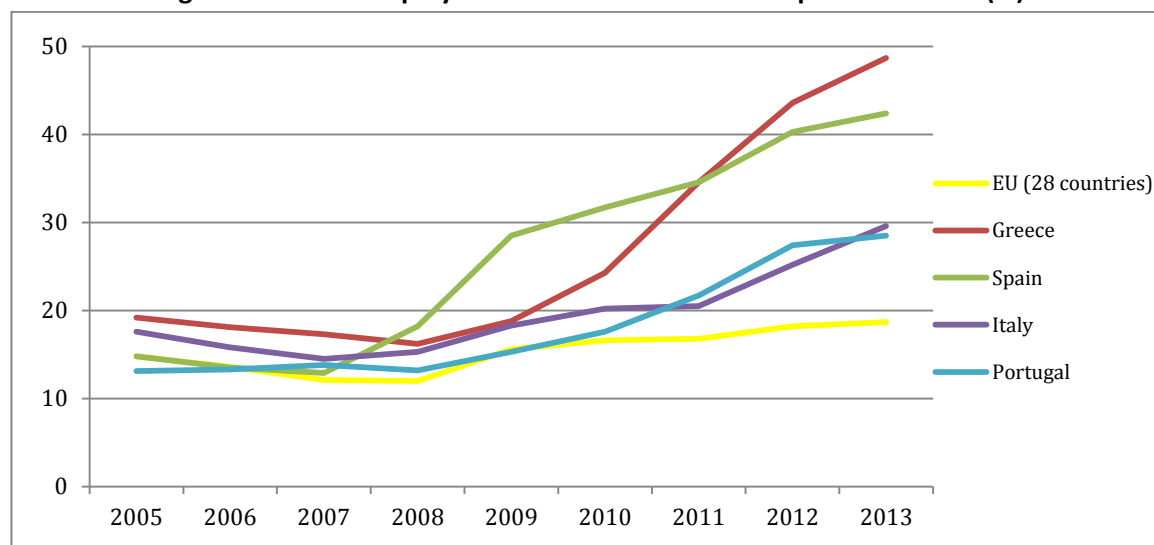
**Fig. 1.3 Unemployment rates in Southern European countries (%)**



Source: Eurostat, 2014

Youth unemployment refers to those without work in the age group between 15 and 29 years of age. Youth unemployment data are more worrying compared to the general unemployment rates as almost half of the Greek youth population (48.7%), more than 40% of the Spanish's one (42.4%), and close to one every three young Italians (29.6%) and Portuguese (28.5%) are without permanent jobs, while in the EU youth unemployment rate is 18.7%.

**Fig. 1.4 Youth unemployment rates in Southern European countries (%)**



Source: Eurostat, 2014

In terms of regional dispersion, Eurostat reports that Italy, Spain and Greece show strong internal differences in employment rates; especially in southern regions of Italy (i.e. Sicily) and Spain (i.e. Andalucia) there have been youth unemployment rates higher than 40%.

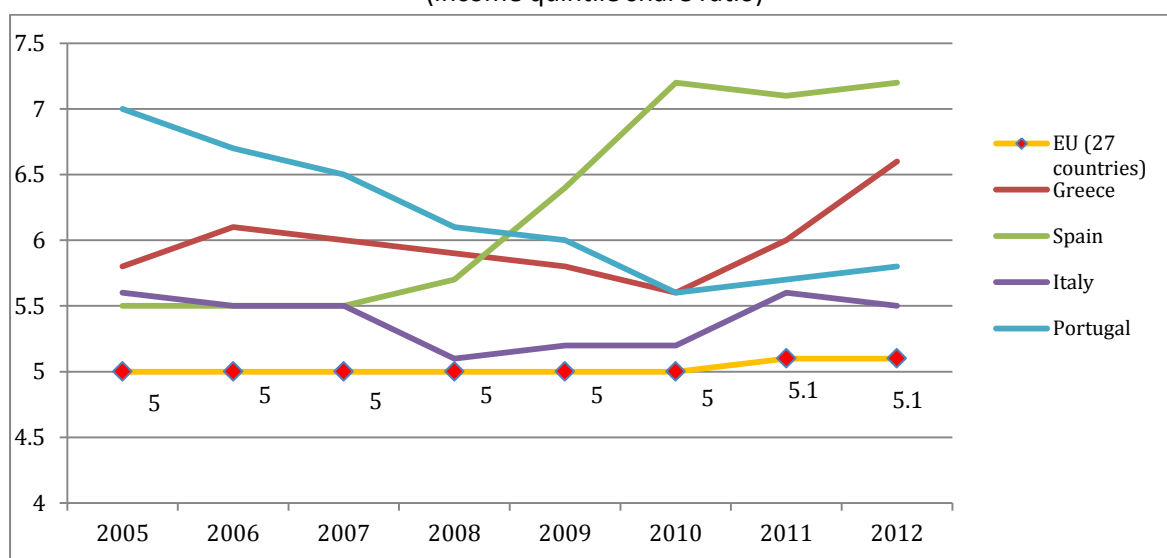
### 1.2.3 Inequality of income distribution

Understanding how income is equally distributed among the population within a certain country is especially important as a proxy for social cohesion. A useful way to do this is to divide population by income in so-called 'income quintiles', and then look at the lowest and at the highest of such income groups and calculate their ratio. In this way, it is possible to see how many times the average income of the highest group is bigger than the one of the lowest income group. Although the quintile share ration does not measure inequalities that occur in the middle segment or within the poorest or richest segments, it focuses on the gap between the poorest and richest strata of society. Reducing inequalities contributes to the EU Sustainable Development Strategy's goal of achieving a high level of social cohesion.

Eurostat reports that in the EU-27, income inequality has been stable in the period 2005-2012 without showing a clear negative or positive trend. Nonetheless, in 2012, the richest 20% of the EU's population has earned five times more than the 20% of the poorest portion of society.

In 2012, Spain and Greece were the countries with the highest income inequality across the EU, with income quintile share ratios greater than 6.5 (see **Fig.1.5**). In the same period, in Italy this indicator was 5.5, a bit lower than in 2005. A different story was registered in Portugal where inequality of income distribution decisively lowered since 2005: while in that year the richest 20% of the country was earning seven times as the poorest 20%, in 2012 the ratio increased to 5.8.

**Fig. 1.5 Inequality of income distribution,**  
(income quintile share ratio)



Source: Eurostat, 2014

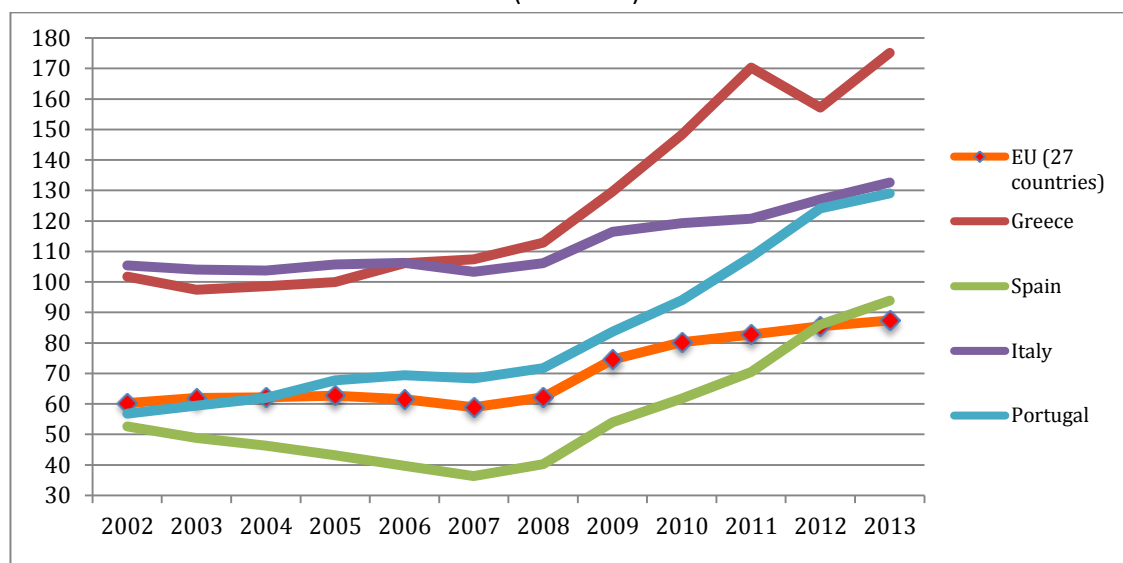
### 1.2.4 General government gross debt

Very much related to the measure of GDP is the consideration of public debt that expresses the sustainability of national finances. To understand this, we use hereby the 'general government gross debt' indicator expressed as a percentage of GDP.

As Eurostat figures show, while between 2000 and 2007 public debt in the EU was close to the reference level of 60 % of GDP, the economic crisis led to a distinctive turnaround: between 2007 and 2013, public debt increased considerably by 28.5 percentage points, reaching 87.4%.

In southern EU Member States, this was felt in a particular strong way, although with important differences. While it seems clear from the graph (see **Fig. 1.6**) that the crises provoked an intense increase in debt as a percentage of GDP, only the situation in Italy appears to follow a similar trend of the average EU-27 trend – although with much higher percentages. With regards to Spain, Portugal and Greece, the graph shows a decisive increase in this ratio for all three countries, which reached a peak of 175.1% in Greece. Concerning the period after the crises (2008-2013), these ratios saw an increase from the levels in 2008 to the ones reached in 2013, respectively: for Greece, 62.2%; for Portugal, 57.3%; for Spain, 53.7%; and for Italy, 26.5%, while for EU-27, 25.2% of GDP.

**Fig. 1.6 General government gross debt**  
(% of GDP)



Source: Eurostat, 2014

## 1.3 The environmental dimension

### 1.3.1 Greenhouse gas emissions

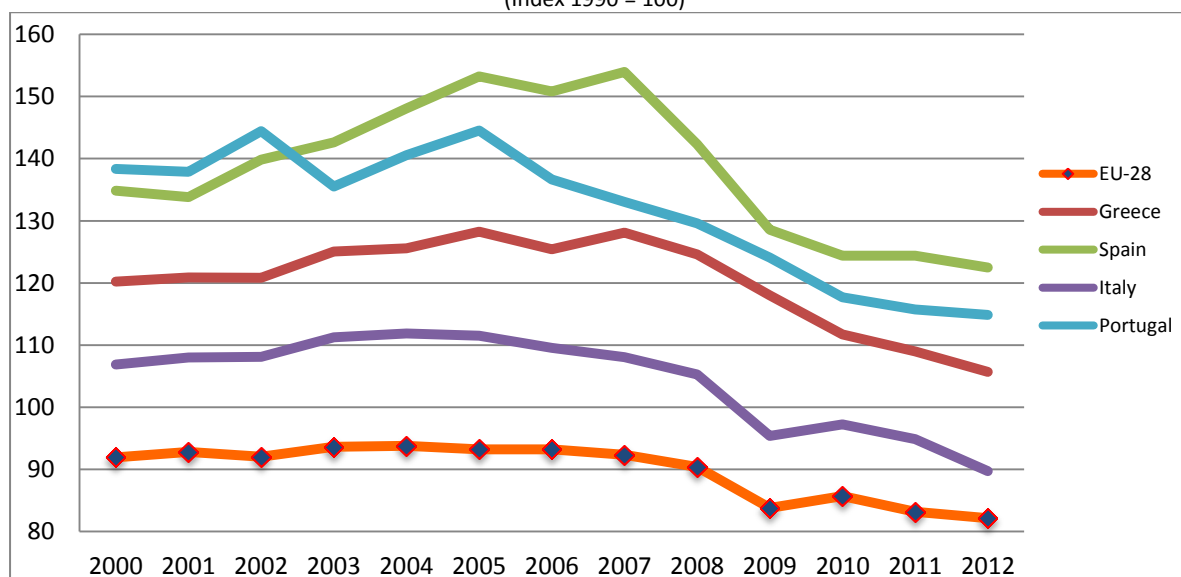
A very important environmental indicator in the European Union is the reduction of Greenhouse gas emissions that is included not only in the EU SDS, but has been chosen as a fundamental objective of the Europe 2020 Strategy. The Europe 2020 Strategy committed the EU to reduce its GHG emissions (including emissions from international aviation) by 20% compared to the level in 1990. For this reason, the indicator is calculated as an index that takes as reference the year 1990 (see Box 1.5).

In 2012, greenhouse gas emissions of the EU-28, accounting for the total emissions of the six man-made gases of the 'Kyoto basket', were down by 18% compared to 1990. In absolute terms, the EU cut its emissions by 1,017,340 million tonnes of CO<sub>2</sub> equivalent between 1990 and 2012.

Eurostat reports that between 2008 and 2012, GHG emissions dropped sharply. The main driving force was the economic crisis. The crisis led to a reduction in industrial activity, transport volumes and, as a consequence, energy consumption and emissions which also resulted in less GHG emissions. After an increase in 2010, emissions fell again in 2011 and 2012. This decreasing trend can also be seen in the four countries we are analysing (see **Fig. 1.7**). In fact, since 2008, all four southern European countries registered an important drop in GHG emissions index that is between 14.72 in Portugal and 19.85 in Spain. An interesting fact is that among these countries, the only one that lowered its total emissions (considering 1990 levels) is Italy that cut almost 59 million tonnes of CO<sub>2</sub> equivalent<sup>4</sup> (see **Fig. 1.8**). The other three states are still above 1990 levels, with Spain showing a 20.1% increase<sup>5</sup> in respect to the 1990 baseline year instead of reducing its emissions.

**Fig. 1.7 Greenhouse gas emissions, EU-28, 1990-2011**

(Index 1990 = 100)



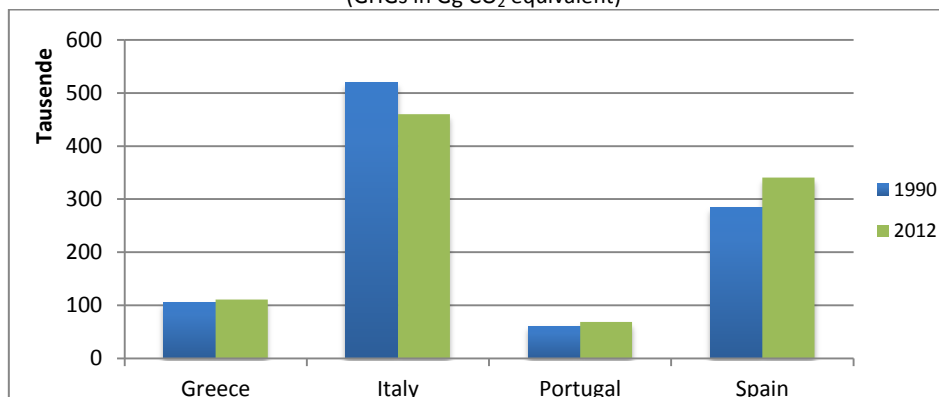
Source: Eurostat, 2014

<sup>4</sup> See UNFCCC data: [http://unfccc.int/ghg\\_data/ghg\\_data\\_unfccc/time\\_series\\_annex\\_i/items/3841.php](http://unfccc.int/ghg_data/ghg_data_unfccc/time_series_annex_i/items/3841.php)

<sup>5</sup> See UNFCCC data at: [http://unfccc.int/ghg\\_data/ghg\\_data\\_unfccc/time\\_series\\_annex\\_i/items/3841.php](http://unfccc.int/ghg_data/ghg_data_unfccc/time_series_annex_i/items/3841.php)



**Fig. 1.8 Greenhouse gas emissions, Southern EU countries**  
(GHGs in Gg CO<sub>2</sub> equivalent)



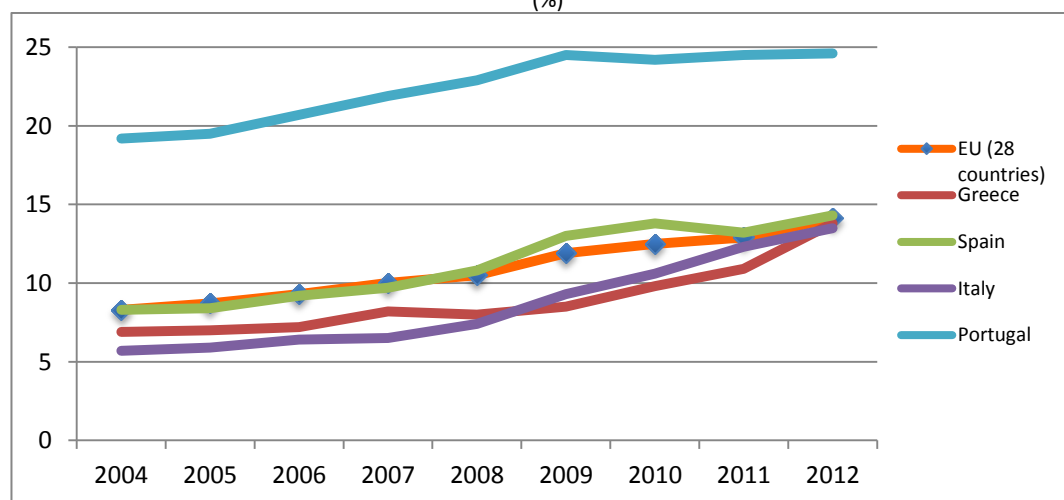
Source: UNFCCC, 2014<sup>6</sup>

### 1.3.2 Share of renewable energy

The share of renewable energy is another fundamental environmental indicator in the EU. In the Europe 2020 Strategy, the EU committed itself to reach the target of 20% of renewable energy in gross final energy consumption (see Box 1.6). While the share of renewable energy in gross final energy consumption indicates how much of the EU's energy demand is covered by wind, solar, biomass and geothermal energy, 'final energy' refers to the useful energy supplied to the final consumer for all energy uses (i.e. electricity, heating and cooling and transport).

Between 2004 and 2012, the share of renewable energy in the EU had been continuously increasing, reaching a share of 14.1% in gross final energy consumption in 2012. Eurostat mentions two main drivers for this increase: support schemes for renewable energy technology, and its shrinking costs. As a result of policies such as feed-in tariffs, grants, tax credits and quota systems, installed capacity for renewable electricity and heat generation as well as the use of renewable transport fuels has grown steadily over the past decade.

**Fig. 1.9 Share of renewable energy in gross final energy consumption, EU-28**  
(%)

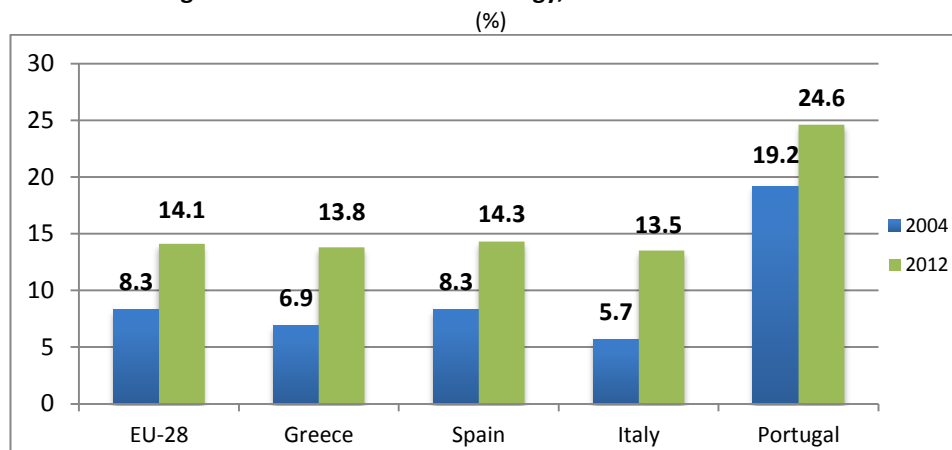


Source: Eurostat, 2014

<sup>6</sup> ibid.

With respect to the Southern European EU Member States, a similar increasing trend as in the EU-28 can be seen from the graph below (see **Fig. 1.9**). In the period between 2004 and 2012, Italy more than doubled its share of renewable energy, rising from 5.3 to 13.5 % in 2012. Greece also doubled its share: from 6.9% in 2004, Greece reached 13.8% in 2012. When comparing (see **Fig. 1.10**) the four countries, Portugal stands out with the highest share of renewable energy covering almost a quarter of its energy consumption from renewable sources (24.6%).

**Fig. 1.10 Share of renewable energy, Southern EU countries**



Source: Eurostat, 2014

## 1.4 The picture offered by the SSI 2012

Firstly developed in 2006 by Van de Kerk and Manuel<sup>7</sup>, the Sustainable Society Index (SSI) aims at producing a measure of where a society stands in its trajectory towards a 'sustainable society', which is defined by the authors as a society<sup>8</sup>

- that meets the needs of the present generation;
- that does not compromise the ability of future generations to meet their own needs; and
- in which each human being has the opportunity to develop itself in freedom, within a well-balanced society and in harmony with its surroundings. (Van de Kerk and Manuel, 2012)

Currently, the SSI includes *21 indicators*, grouped into *8 categories*, along *three wellbeing dimensions* – **human**, **environmental** and **economic wellbeing** – and finally the overall SSI index. An overview of the SSI indicator framework is provided in the Annex of this QR.

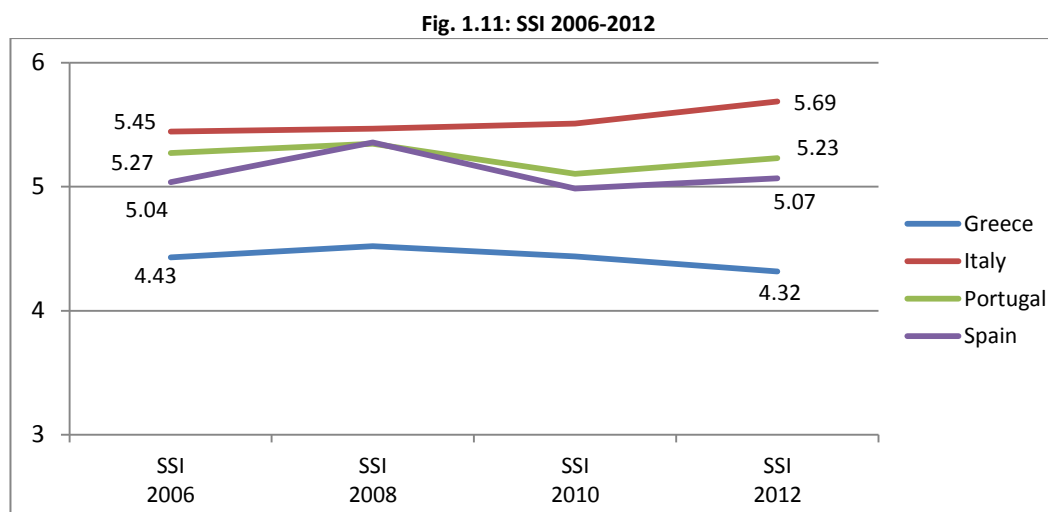
In the following **Fig. 1.11**, the four southern EU Member States are grouped and compared with regard to the overall SSIs that have been calculated biannually since 2006, therefore, offering a picture that depicts the changes in these four countries' indexes in this period of time. It is important to point out that the Sustainable Society Index is calculated in a range that goes from 10 (best score) to 1 (worst score).

<sup>7</sup> VAN DE KERK, G. and A.R. MANUEL (2008) 'A comprehensive index for a sustainable society: The SSI — the Sustainable Society Index'. *Ecological Economics* 66, pp.228-242.

<sup>8</sup> VAN DE KERK, G. and A.R. MANUEL (2012). 'SSI-2012. Sustainable Society Index 2012'. The Netherlands: Sustainable Society Foundation. Available at: <http://www.ssfindex.com/cms/wp-content/uploads/ssi2012.pdf>

While Greece and Portugal saw a decrease of the value of the index, Spain had a similar decrease but started increasing again reaching a level of its 2012 SSI at 5.07 – 0.03 higher than its 2006 SSI. On the contrary, Italy experienced a positive trend throughout the whole period, passing from a value of 5.45 in 2006, to a SSI of 5.69 in 2012, and keeping the highest level among the four countries.

It is interesting to note that, apart from Italy, the other three countries all saw a downturn between 2008 and 2010 that is, arguably, related to the consequences of the economic crises.



Source: SSI

## 2 National Sustainable Development Strategy (NSDS) processes in the Southern European EU Member States

This chapter provides a comparative overview of the experiences made by the four Southern EU Member States with their National Sustainable Development Strategies. We also include a general European perspective on the subject, so that a more complete picture emerges. The chapter is divided into six sections, ranging from a provision of the basic information about NSDSs, to vertical and horizontal integration mechanisms, evaluation, monitoring processes, and, finally, participatory arrangements. The main sources used for this overview are the [country profiles section at the ESDN website](#), which we keep updated with the support of all European NSDS's coordinators, and the Discussion Paper<sup>9</sup> we prepared for the ESDN Conference 2013 in Vienna.

### 2.1 Basic information about SD strategies

This section presents the status quo and recent developments of NSDSs in Southern European EU Member States. In addition, the NSDSs' institutional anchoring is presented together with an overview of the typologies of these strategies and the most important dimensions covered within them.

Historically, as presented in the [September 2010 ESDN Quarterly Report](#) and in the Discussion Paper for the ESDN Conference 2013, the first NSDSs in Europe were developed in the mid- to late-1990s: Sweden and UK adopted their first NSDSs already in 1994, followed by several other countries (e.g. Finland in 1998, Belgium in 2000). Most countries, however, developed their first NSDSs in preparation for the UN World Summit in Johannesburg in 2002; other European countries followed later in the 2000s. In Southern Europe, while **Italy** and **Greece** adopted their NSDS in 2002, both **Portugal** and **Spain** did so only in 2007 (See Box 2.1). No revisions have been adopted so far in any of these Southern European EU Member States.

**Box 2.1: Overview of NSDSs**

Country	Current NSDS version	Number of revisions
Greece	2002	0
Italy	2002	0
Portugal	2007	0
Spain	2007	0

<sup>9</sup> Pisano, U., K. Lepuschitz and G. Berger. 2013. Vienna +10: National Sustainable Development Strategies in Europe. Taking stock, new developments and future challenges. ESDN Conference 2013 Discussion Paper. Available at: [http://www.sd-network.eu/pdf/conferences/2013\\_vienna/ESDN%20Conference%202013\\_Discussion%20Paper\\_FINAL.pdf](http://www.sd-network.eu/pdf/conferences/2013_vienna/ESDN%20Conference%202013_Discussion%20Paper_FINAL.pdf)

The NSDSs of **Greece**, **Italy**, **Portugal** and **Spain** were developed in the form of a **single policy strategy document**. However, NSDSs come in various types and differ from each other in terms of structure, focus and pages. What most have in common, though, is that they formulate a vision for SD, include objectives on the three dimensions of SD (economy, social issues, environment), and describe a governance process for implementing the strategy, including monitoring and evaluation schemes.

Whereas in **Spain**, **Portugal** and **Greece** the NSDSs cover all dimensions of sustainable development, although with a different degree of comprehensiveness (see i.e. Box 2.2), in **Italy** the national SD strategy highlights the environmental dimension with the intention of mainstreaming environmental issues into sectoral policies (See **Box 2.3**).

#### Box 2.2: The focus of the NSDS in Spain

*The Spanish NSDS focuses on "the **environmental, social and global dimension of sustainability**, and approaches the high-priority areas defined in the European Strategy according to the three dimensions mentioned" (p.7)*

*"The approach of the Spanish Sustainable Development Strategy (SSDS) is in keeping with the strategic vision of the EU, since it **strives to integrate the economic, social, environmental and global dimension of sustainable development** for purposes of guaranteeing economic prosperity, ensuring protection of the environment, avoiding the degradation of the natural capital, promoting a greater social cohesion considering the present demographic trends, and joining efforts to contribute to the development of the least favoured countries for the sake of global sustainability." (p.6)*

#### Box 2.3: The focus of the NSDS in Italy

*The NSDS focuses mainly on **environmental issues**. The driving element for sustainability and for the definition of targets is essentially the achievement of a **decoupling between economic growth and pressure on the use of natural resources and on the environment**, especially in agriculture, power and transport sectors. Specific indicators for the use of material, soil, energy, water, resources, and waste production per units of economic wealth were foreseen as a measure of outcomes achieved. The NSDS contains four broad priority themes, in line with the EU 6<sup>th</sup> Environmental Action Plan.*

In terms of institutional anchoring, it can be said that in Europe the **responsibility for NSDS lies usually with the national Ministries of Environment**. The same holds true for the four Southern EU countries (see **Box 2.4**). Interestingly, in **Spain** and in **Portugal**, such ministries are also responsible for agricultural policies where conflicts, such as land or resource use, may put a strain on intra-ministerial SD policy formulation.

**Box 2.4: Institutional anchoring**

Country	Institutional Anchoring
Greece	Ministry of Environment, Energy and Climate Change
Italy	Ministry for Environment, Land and Sea
Portugal	Ministry of Agriculture, Sea, Environment and Spatial Planning
Spain	Ministry of Agriculture, Food and Environment

## 2.2 Mechanisms of vertical Integration

In this section, we present the way in which countries deal with vertical policy integration mechanisms, i.e. those mechanisms that deal with the challenge of **coordinating and integrating SD strategies and policies across different levels of governance**, from the European via the national and regional to the local levels. This is particularly important in the case of NSDSs which are, in most countries, policy strategies that are only binding for the national government.

In general, NSDSs analyses show *three main mechanisms for vertical policy integration* that the majority of European countries used, especially during the preparation or revision of national SD strategies: (1) consultation activities; (2) mechanisms to increase cooperation and coordination; and, (3) processes for awareness raising.

First of all, **consultation activities** are employed as elements of vertical policy integration, generally in the form of workshops or seminars (e.g. [Greece](#)), roundtables discussions, meetings, dialogues, forums, and online activities. In these consultation activities, sub-national levels are usually either given advice on how to implement certain parts of the NSDS or asked to provide information for the national level on regional processes and/or data. For instance, in [Spain](#), the first draft of the NSDS (prepared by a working group consisting of all government ministries) was distributed to the regional authorities for comments and feedback. Similarly, in [Greece](#), for the preparation of the 2002 NSDS, representatives of local authorities, civil society, academia, private sector, NGOs and others, actively participated in general or thematic workshops. On the contrary, in [Portugal](#), neither local nor regional authorities were directly involved in the development of the NSDS.

Secondly, several countries started diverse **mechanisms to increase cooperation and coordination (both formally and informally)** among different levels and as support for implementation. Through these mechanisms, a better coordination of activities and implementation mechanisms between the different levels of government is envisaged. A good example in this regard can be found in [Italy](#), where the overall co-ordination of policies at the national and subnational levels is ensured through a system of “permanent conferences”. On the one hand, a ‘*State-Regions Conference*’ allows regional governments to discuss issues related to the transfer of functions from the centre, while the ‘*State-Local Authorities Conference*’ discusses relations between state and metropolitan areas, municipalities and small communities. In addition, there is also a so-called ‘*Unified Conference*’, which brings together the two conferences on issues pertinent to implementation of the 2001 reform of the Italian Constitution. A similar mechanism is in place in [Spain](#), where in preparation of the Spanish NSDS, ‘sectorial conferences’ were organised with regional representatives in order to allow for discussions and interactions among the national and the regional levels.

Thirdly, several countries established **processes for awareness raising and for experience and information exchange**. This last mechanism is the weakest among the three in terms of coordination for actual implementation. For instance, in [Greece](#), one of the four pillars of the new National Strategy on 'Green Growth' is about the 'reinforcement of institutional tools and mechanisms for environmental governance' such as i.e. reinforcement of inspection instruments, improvement of public access to environmental information, education, and awareness raising.

## 2.3 Mechanisms of horizontal integration

Horizontal integration refers to the **collaboration between the different ministries and administrative bodies on the same political-administrative level** for the delivery of SD policies, e.g. the national level in the case of NSDSs.

Generally, European countries have developed various forms of inter-ministerial and cross-departmental mechanisms for coordinating the implementation of NSDSs objectives. The format of these mechanisms varies among:

1. **inter-ministerial working groups;**
2. **commissions;**
3. **committees;** and,
4. **networks.**

In terms of **institutional structure**, horizontal mechanisms can be categorized in three groups. First, ***inter-ministerial bodies at the political level***: in this case, the inter-ministerial body is chaired by politicians or high-level administrators. In this group of countries, we can include the Spanish experience with mechanisms of horizontal integration. In [Spain](#), the NSDS was elaborated through the coordination of all government ministries, led by the Inter-Ministerial Commission for the Coordination of the NSDS. This inter-ministerial group has a high-level profile and its delegates are representatives at the highest level of the ministries, under the coordination of the Economic Department of the Prime Minister Office.

A second group of horizontal mechanisms –the most common around Europe – is formed by ***inter-ministerial bodies at the administrative level***: participants are mainly representatives of the national administration (ministries) under the lead of a government ministry, usually the Ministry of Environment. The mechanisms for horizontal integration in [Greece](#), [Italy](#) and [Portugal](#) are part of this group. In [Greece](#), nine ministries participate in the 'National Coordination Committee of the Government Policy in the field of Spatial Planning and Sustainable Development'. In [Italy](#), it is the Ministry of the Environment, Land and Sea that is in charge of regulations, co-ordination and control related to environmental management: a number of specialised agencies provide support to the Ministry (i.e. the Italian environmental agency, ISPRA). In [Portugal](#), in order to provide for an integrated and horizontal implementation, the NSDS contains a 'road map' that indicates the institutions responsible for each measure.

The third category is described by ***hybrid regimes***: in this format, the processes of horizontal policy coordination (politicians and administrators) are enriched by participation and consultation processes of societal stakeholders like NGOs, business, academia, or civil society.



The horizontal mechanisms described in the various inter-ministerial bodies have a number of common functions, usually for **coordination** purposes and to **increase policy coherence**. Horizontal integration mechanisms are also used with an **advisory** function, especially in the preparation of policy drafts and reports on SD issues. These mechanisms also have a **supervisory** function, especially to control implementation of policies (e.g. [Italy](#)) or review progress in the implementation of the NSDS (e.g. [Portugal](#)). In other cases, mechanisms have a **political guidance and steering function**.

## 2.4 Evaluation and review practices

In this section, we provide an overview of the evaluation and review approaches applied in the context of SD strategies in Europe. It focuses on **qualitative evaluations and reviews** that assess the quality of SD strategy processes, policy instruments used and stakeholders involved.

**NSDSs are not only strategic policy documents, but they also foster strategic processes.** As NSDS processes constantly need to adapt to new situations and challenges, the evaluation of these policy processes and the achievement of the NSDS targets is important and has been introduced in almost all European countries.

The review processes of NSDSs can take three forms: **internal reviews**, **external reviews** and **peer reviews**.

**Internal reviews** are conducted within the government ministries by an internal body responsible for the review process. Usually, this depends on the country's institutional setting and on the particular institution charged with SD tasks. However, in many of the countries, review processes take the form of progress reports. In other countries evaluation and review is undertaken within the horizontal mechanisms and inter-ministerial bodies also responsible for coordinating the preparation and implementation of NSDSs. In [Portugal](#), for instance, since 2007 a bi-annual review process has been introduced with a bi-annual report, the first completed in 2009 and submitted to the European Commission in July 2009. Recently, this Portuguese evaluation and review process seems to have been linked to the National Reform Programme (PNR), the Low-carbon Roadmap and the Environmental Technologies Action Plan (ETAP) Roadmap (now the Eco-innovation Action Plan, as adopted by the European Commission in December 2011). In [Greece](#), the first national report on implementing the EU SDS has been published in August 2007: Currently the 2002 NSSD of Greece is being revised in light of recent administrative changes and new political priorities set in Greece<sup>10</sup>.

Until now, not many European countries relied on **external reviews** (e.g. Austria), while only four EU countries employed **peer reviews** so far. Please see the [ESDN Quarterly Report of July 2013](#) for more details.

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<sup>10</sup> [http://www.un.org/esa/dsd/dsd\\_aofw\\_ni/ni\\_pdfs/NationalReports/greece/NSDS\\_GreeceCSD18.pdf](http://www.un.org/esa/dsd/dsd_aofw_ni/ni_pdfs/NationalReports/greece/NSDS_GreeceCSD18.pdf)



## 2.5 Indicators and monitoring practices

Monitoring is an assessment activity, usually **based on a set of quantitative indicators**. The higher and stronger the link between policy objectives and indicators in the NSDSs, the more measurable is the delivery of the strategy objectives.

In this section, we briefly outline the status quo in development and revision of the set of indicators, and their utilization in the NSDS review process of the four Southern EU Member States that are the subject of this Case Study. As can be seen below, their SD indicator sets differ considerably and range from about 70 to 150.

In **Portugal**, the 80 Sustainable Development Indicators (SDI) are intended to evaluate the progress of Portugal concerning sustainable development in terms of the objectives and targets set in the strategy. They are classified into seven strategic objectives and ranked on three levels. The indicators' framework is a contract signed with Eurostat to develop a set of indicators to monitor the National Strategy for Sustainable Development<sup>11</sup>. The development of such indicators was done by Statistics Portugal, in close collaboration with the organisations of the Ministry of Agriculture, Sea, Environment and Spatial Planning responsible for the monitoring of the NSDS.

In **Spain**, the NSDS explicitly states a set of 74 indicators for its monitoring. The Spanish set of indicator was developed in 2007 and was not revised since then.

In **Greece**, the National Centre for the Environment and Sustainable Development (NCESD), in close co-operation with the National Statistics Service, published the current set of SD indicators in the "State of the Environment" Report produced by NCESD in 2010. The new indicator set was developed after the EU SDS Implementation Report (2007) has been adopted.

In **Italy**, the NSDS provides a set of 150 indicators directly linked to the priorities and key issues outlined in the Strategy itself. Additionally, the key environmental indicators set by Barcelona's European Council in 2002 were included in the document. The National Statistical Institute (ISTAT) and the Institute for Environmental Protection and Research (ISPRA) took part in the international Working Group on Sustainable Development Indicators (SDI) in the framework of the EU Sustainable Development Strategy (Eurostat). Besides that, the 'Environmental data Yearbook' issued yearly by the Institute for Environmental Protection and Research (ISPRA) represents the national information reference in the Country on environment and sustainable development. In the context of the international activities on indicators complementing GDP, an interesting initiative was undertaken in Italy in 2011 with the effort of identifying a common set of indicators for broader measure of progress. This resulted in the identification of 12 dimensions of well-being relevant to the country with a selection of 134 high-quality statistical indicators.

## 2.6 Participatory arrangements

This section refers to the **inclusion of a wide range of societal actors**, including governments, businesses, trade unions, NGOs, academics and civil society, in the process of developing, reviewing and discussing National Sustainable Development Strategies. It covers participatory and

<sup>11</sup> [http://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine\\_dossie\\_idsustentavel&xlang=en](http://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine_dossie_idsustentavel&xlang=en)

consultation processes, institutions and bodies involved, and different forms of cooperation between various actors and stakeholder groups.

In practice, in Europe, the implementation of participation processes in the various countries is **very diverse** in terms of the involvement of stakeholders and responsible institutions drawn in in the process of developing and discussing NSDS. Approaches differ among countries, ranging from discussion, consultation and participatory processes (e.g. in the form of platforms). Also, responsible institutions involved in the participation practice vary between different countries from ministries to independent bodies, such as advisory councils or agencies. Even though the implementation of participation mechanisms is carried out differently by countries, they all display **common functions by providing space for debate, consultation and information exchange**.

In **Portugal**, the National Council of Sustainable Development (NCSD) was established in 1997 as an advisory body to the Government and Parliament on all SD issues with the intention to work towards consensus-building among the members.

In **Spain**, so far, there is no special body, such as an ad-hoc National Council for SD. However, within the Environmental Advisory Council (CAMA) and in preparation of the NSDS, public participation was organized in the form of the 'Conference on Sustainable Development' as a one-off event that took place in July 2007.

In **Greece**, participation takes the form of the 'National Council for Physical Planning and Sustainable Development', which was established with members coming from the Ministry of Environment, local authorities, employers' and trade unions, research institutes and NGOs. Although the coordination between institutions has been rather weak and on an ad-hoc basis, recently, the Council has been re-activated in order to follow up on the implementation of MEECC's new Strategy<sup>12</sup>. In parallel, citizens' access to environmental and spatial information is also promoted through the implementation of EU Directive INSPIRE.

In **Italy**, all relevant stakeholders were involved in the drafting of the NSDS. The public consultation involved 140 authorities and organizations in the course of 14 official meetings and through the use of a specific telematics forum accessible from the web site of the Ministry of the Environment. Recently, in preparation for the 2012 UNCSD Conference (Rio+20), two big events open to civil society were organized aiming at defining a common framework at the national level to address not only the preparatory process for the Rio +20 Conference but also the longer-term sustainable development policy in Italy in view of the major international commitments.

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<sup>12</sup> MEECC in Greece stands for Ministry of the Environment, Energy and Climate Change.

### 3 Reflections and conclusions

In this closing chapter, we briefly summarise the main points elaborated in the course of the case study and, in so doing, we develop some suggestions.

Our starting point in this case study was the economic and financial crisis started in 2008, which has put Europe in a time of severe challenges, especially from economic (i.e. stagnation) and social (i.e. unemployment) points of view. Additionally, environmental problems continue to be more intertwined than ever before as in the case, for instance, of climate change and related floods or heat waves, to cite only a few issues. In this context, such a period of crises particularly affected the EU Member States in the southern part of the EU.

For this reason, we investigated what challenges are faced in Italy, Spain, Portugal and Greece with regards to socio-economic and environmental crises and how they impact on their NSDS processes. Our objective was to portray a picture of these particularly strong socio-economic-environmental challenges that may also create limitations and barriers for SD policies and in the context of National Sustainable Development Strategies, but could also be seen as opportunities to foster new approaches for policy strategies and renewed efforts towards SD. In so doing, we used seven indicators, namely: (i) real GDP per capita; (ii) unemployment rate (with a particular look over the Youth unemployment rate); (iii) inequality of income distribution; (iv) general government gross debt; (v) greenhouse gas emissions; (vi) share of renewable energy in gross final energy consumption; and, (vii) the Sustainable Society Index developed by the Sustainable Society Foundation.

With respect to **real GDP per capita**, in Greece, Italy, Portugal and Spain it seems that the crises had longer effects than in other EU Member States. Whilst their trends until 2007 were growing similarly as the rest of EU, from 2008 to 2012, the four countries all suffered important decreases.

**Unemployment rates** are quite high in the Southern part of the European Union, especially in Greece and Spain, where between 2007 and 2013, they rose from about 8% to a level of 27.5% in Greece and 26,1% in Spain. **Youth unemployment** data are more worrying compared to the general unemployment rates as almost half of the Greek youth population (48.7%), more than 40% of the Spanish's one (42.4%), and close to one every three young Italians (29.6%) and Portuguese (28.5%) are without permanent jobs, while the average EU youth unemployment rate is 18.7%.

We then looked into the statistics connected to the **inequality of income distribution**, as this is particular important in order to measure the level of social cohesion within a country, and therefore, getting an understanding of how income is distributed among the population. In the period from 2005-2012, while Eurostat reported a stable level of income inequality for EU-27 with no clear negative or positive trends, things went differently in the Southern European EU Member States, but with two opposing trends. On the one hand, Spain and Greece reached the highest income inequality levels across the EU. On the other hand, in the same period, both in Italy and – even more decisively – in Portugal, inequality of income distribution lowered compared to 2005's levels. Nonetheless, in 2012, the richest 20% of the EU's population has earned five times more than the 20% of the poorest portion of society.

Strongly related to a decrease in GDP per capita, it appears to be the well-known **general government gross debt** that is often represented in relation with GDP levels. In this particular aspect, on average, in the EU-27 countries, between 2007 and 2013, public debt increased considerably by 28.5 percentage points, reaching 87.4%. In the Southern European EU Member States, these ratios (debt over GDP) saw an increase from the levels in 2008 to the ones reached in 2013, respectively: for Greece, 62.2%; for Portugal, 57.3%; for Spain, 53.7%; and for Italy, 26.5%. While it seems clear that the crises provoked an intense increase in debt as a percentage of GDP, only the situation in Italy appears to follow a similar trend of the average EU-27 trend – although with much higher percentages. In Greece, the decisive increase in this ratio reached the peak of 175.1%.

In order to represent important environmental challenges, we chose two widely used indicators: GHG emissions and share of renewable energy. Eurostat reports that between 2008 and 2012, GHG emissions dropped sharply mainly because of the economic crisis. This holds true also for all four southern European countries that, since 2008, registered an important drop in **GHG emissions index** between 14.72 in Portugal and 19.85 in Spain. An interesting fact is that among these countries, the only one that lowered its total emissions (considering 1990 levels) is Italy that cut almost 59 million tonnes of CO<sub>2</sub> equivalent, while the other three states still remained above 1990 levels, with Spain showing a 20.1% increase in respect to the 1990 baseline year.

In terms of the **share of renewable energy**, between 2004 and 2012, in the EU it had been continuously increasing, reaching a share of 14.1% in gross final energy consumption in 2012, mainly thanks to the activation of support schemes for renewable energy technology, and its shrinking costs. A similar increasing trend was seen in the four countries in the South of the EU, in particular in Greece and in Italy, which more than doubled its share of renewable energy. Significantly, Portugal stands out with the highest share of renewable energy covering almost a quarter of its energy consumption from renewable sources (precisely 24.6%).

We also offered an analysis of the **Sustainable Society Index** that shows how sustainable the society of a specific country can be considered. While Greece and Portugal saw a decrease of the value of the index, Spain had a similar decrease but started increasing again after 2010. On the contrary, Italy experienced a positive trend throughout the whole period from 2006-2012, keeping the highest level among the four countries. We interestingly noted that, apart from Italy, the other three countries all saw a downturn between 2008 and 2010, arguably due to the consequences of the economic crises.

In the second chapter, we provided a comparative overview of the experiences made by the four Southern EU Member States with their National Sustainable Development Strategies (NSDs), and compared these experiences with a general European perspective on the subject, through the lens of six sections, ranging from a provision of the basic information about NSDs, to vertical and horizontal integration mechanisms, evaluation, monitoring processes, and, finally, participatory arrangements. Historically, most European countries developed their first NSDs in preparation for the UN World Summit in Johannesburg in 2002, as in the case of **Italy** and **Greece**; other European countries followed later in the 2000s as for instance **Portugal** and **Spain** that did so only in 2007. No revisions have been adopted so far in any of these Southern European EU Member States. Although NSDs come in various types and differ from each other in terms of structure,

focus and pages, NSDSs of [Greece](#), [Italy](#), [Portugal](#) and [Spain](#) were developed in the form of a single policy strategy document. Whereas in [Spain](#), [Portugal](#) and [Greece](#) the NSDSs cover all dimensions of sustainable development, although with a different degree of comprehensiveness, in [Italy](#) the national SD strategy highlights the environmental dimension with the intention of mainstreaming environmental issues into sectoral policies. In terms of institutional anchoring, as in most European countries, the responsibility for NSDS lies with the national Ministries of Environment also in the four Southern EU countries.

## Annex I

We provide in this Annex, the list of the indicators we used in the first chapter together with their definitions as provided in the Eurostat website.

### Real GDP per capita

The GDP includes goods and services that have markets (or which could have markets) and products, which are produced by general government and non-profit institutions. For measuring the growth rate of real GDP, the GDP at current prices are valued in prices of the previous year and the thus computed volume changes are imposed on the level of a reference year; this is called a chain-linked series. Accordingly, price movements will not inflate the growth rate. Real GDP per capita is calculated as the ratio of real GDP to the average population of a specific year. It is often used as an indicator of how well off a country is, since it is a measure of average real income in that country. However, it is not a complete measure of economic welfare. For example, GDP does not include most unpaid household work. Neither does GDP take account of negative effects of economic activity, like environmental degradation. Real GDP per capita is based on rounded figures. Discrepancies in tables between totals and percentages are due to rounding.

### Unemployment rate

As defined by Eurostat, unemployment rates represent unemployed persons as a percentage of the labour force. The labour force is the total number of people employed and unemployed. Unemployed persons comprise persons aged 15 to 74 who were:

- a) without work during the reference week,
- b) currently available for work, i.e. were available for paid employment or self-employment before the end of the two weeks following the reference week,
- c) actively seeking work, i.e. had taken specific steps in the four weeks period ending with the reference week to seek paid employment or self-employment or who found a job to start later, i.e. within a period of, at most, three months.

### Inequality of income distribution

The ratio of total income received by the 20 % of the population with the highest income (top quintile) to that received by the 20 % of the population with the lowest income (lowest quintile). Income must be understood as equivalised disposable income.

### General government gross debt

The indicator is defined (in the Maastricht Treaty) as consolidated general government gross debt at nominal value, outstanding at the end of the year in the following categories of government liabilities (as defined in ESA95): currency and deposits, securities other than shares excluding financial derivatives, and loans. General government sector comprises the subsectors: central government, state government, local government and social security funds. Basic data are expressed in national currency, converted into euro using end-year exchange rates for the euro provided by the European Central Bank (ECB).

### Greenhouse gas emissions

This indicator shows trends in total man-made emissions of the Kyoto basket of greenhouse gases. It presents annual total emissions in relation to 1990 emissions

The Kyoto basket of greenhouse gases includes: carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), and the so-called F-gases (hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride (SF<sub>6</sub>)). These gases are aggregated into a single unit using gas-specific global warming potential (GWP) factors. The aggregated greenhouse gas emissions are expressed in units of CO<sub>2</sub> equivalents. The indicator does not include emissions and removals related to land use, land-use change and forestry (LULUCF); nor does it

include emissions from international maritime transport. It does however include emissions from international aviation. CO<sub>2</sub> emissions from biomass with energy recovery are reported as a Memorandum item according to UNFCCC Guidelines and not included in national greenhouse gas totals. The EU as a whole is committed to achieving at least a 20% reduction of its greenhouse gas emissions by 2020 compared to 1990. This objective implies: - a 21 % reduction in emissions from sectors covered by the EU ETS (emission trading scheme) compared to 2005 by 2020; - a reduction of 10 % in emissions for sectors outside the EU ETS. To achieve this 10% overall target each Member State has agreed country-specific greenhouse gas emission limits for 2020 compared to 2005 (Council Decision 2009/406/EC). Data Source: European Environment Agency).

### Share of renewable energy in gross final energy consumption

This indicator is calculated on the basis of data covered by Regulation (EC) No 1099/2008 on energy statistics. Reporting countries provide additional information on renewable source not covered by the Regulation. This indicator may be considered an estimate of the indicator described in Directive 2009/28/EC because statistical systems in some countries are not yet fully developed to meet all the requirements of this Directive.

### Sustainable Society Index

In the following Table, in order to provide a more complete overview for the reader, we summarized the indicators on which the SSI is built upon together with their description.

**Table: SSI list of indicators**

Indicator	Description
<b>1. Sufficient Food</b>	Number of undernourished people in % of total population
<b>2. Sufficient to Drink</b>	Number of people as % of the total population, with sustainable access to an improved water source.
<b>3. Safe Sanitation</b>	number of people in % of total population, with sustainable access to improved sanitation
<b>4. Healthy Life</b>	Life expectancy at birth in number of healthy life years (HALE – Health Adjusted Life Expectancy)
<b>5. Clean Air</b>	Air pollution in its effects on humans
<b>6. Clean Water</b>	Surface water quality
<b>7. Education</b>	Combined gross enrolment ratio for primary, secondary and tertiary schools
<b>8. Gender Equality</b>	Gender Gap Index
<b>9. Income Distribution</b>	Ratio of income of the richest 10% to the poorest 10% of the people in a country
<b>10. Good Governance</b>	The average of values of the six Governance Indicators of the World Bank
<b>11. Air Quality</b>	Air Pollution in its effects on nature
<b>12. Biodiversity</b>	Size of protected areas (in % of land area)
<b>13. Renewable Water Resources</b>	Annual water withdrawals (m <sup>3</sup> per capita) as % of renewable water resources
<b>14. Consumption</b>	Ecological Footprint minus Carbon Footprint
<b>15. Renewable Energy</b>	Renewable energy as % of total energy consumption
<b>16. Greenhouse Gases</b>	CO <sub>2</sub> emissions per capita per year
<b>17. Organic Farming</b>	Area for organic farming in % of total agricultural area of a country
<b>18. Genuine Savings</b>	Genuine Savings (Adjusted Net Savings) as % of Gross National Income (GNI)
<b>19. Gross Domestic Product</b>	GDP per capita, PPP, current international dollars
<b>20. Employment</b>	Unemployment as % of total labour force
<b>21. Public Debt</b>	The level of public debt of a country as % of GDP

Source: Own elaboration of SSI elements





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# Integrating SDGs into national SD policy frameworks and governance structures – activities in 4 selected EU Member States

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ESDN Case Study N°20



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## Introduction

This case study is a continuation of the work done by the ESDN Office on the SDGs policy framework in Europe that started with the [ESDN Conference 2014](#), 'A renewed policy framework for sustainable development – The international SD agenda and its impact on Europe', Rome/Italy, 6-7 November 2014, and the [ESDN Quarterly Report No. 36](#), 'The Sustainable Development Goals (SDGs) and their impact on the European SD governance framework', from January 2015. While the final decision on SDGs in September 2015 is approaching, the international and EU policy agendas are increasingly confronted with incorporating SDG objectives and setting up appropriate implementation mechanisms.

In addition, EU Member States are gradually facing the need of integrating SDGs in their national sustainable development (SD) policy agendas. Therefore, the ESDN Office decided to take a closer look at four countries (Belgium, Germany, Latvia and Slovenia) in order to find out what SDGs related activities have been undertaken so far on the national level. Based on a survey on national SDGs activities, conducted between November 2014 and January 2015, we undertook telephone interviews with representatives of four selected EU Member States and asked them how they take up the challenge of integrating SDG topics into the national SD policy framework and in the existing SD governance mechanisms.

The aim of this case study is to briefly outline the international background of SDGs and, consequently, to highlight its importance at the national level. Thereby, we want to portray what has been happening and planned until now in selected EU Member States and to what extent the international framework on SDGs is exerting an impact on national SD policy structures. This case study has the following structure:

Firstly, the international framework for national SDGs implementation is shortly outlined. The following chapter presents the results of the survey of 2014 on SDGs activities, and the telephone interviews from May 2015 on governance mechanisms for integrating SDGs into national policy agendas (please find the questionnaire for the telephone interviews in the Annex). In the concluding chapter, similarities and differences of national approaches towards integrating the SDGs contents into national policies are shortly summarized.

# 1 Framework for national SDGs implementation in Europe

This chapter briefly delineates the international framework for launching SDGs as guideline for national implementation.

In a nutshell, the SDGs are a continuation of the Millennium Development Goals (MDGs) and are supposed to serve as foundation for the UN development agenda beyond 2015 which was decided at the Rio+20 Conference in 2012. The Rio+20 Outcome Document, [‘The future we want’](#), represents a crucial milestone in the development of SDGs, not only because it mandated the development of SDGs and designed their conceptualization. The document also devotes a special section on SDGs: Chapter V, ‘Framework for action and follow-up’, Section B. In this section, UN Member States agree on the importance of SDGs in regard to future international sustainable development policies.<sup>1</sup>

In July 2014, the UN General Assembly’s Open Working Group on Sustainable Development Goals (OWG) published a ‘zero draft’ proposal containing 17 goals (see Box 1 below), accompanied by 169 targets. The list of goals, however, remains temporary, until the final decision on the SDGs and the post-2015 agenda will be taken in September 2015 at the 70<sup>th</sup> Session of the UN General Assembly.<sup>2</sup>

**Box 1: List of proposed SDGs**

- Goal 1:** End poverty in all its form everywhere
- Goal 2:** End hunger, achieve food security and improved nutrition and promote sustainable agriculture
- Goal 3:** Ensure healthy lives and promote well-being for all at all ages
- Goal 4:** Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
- Goal 5:** Achieve gender equality and empower all women and girls
- Goal 6:** Ensure availability and sustainable management of water and sanitation for all
- Goal 7:** Ensure access to affordable, reliable, sustainable and modern energy for all
- Goal 8:** Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
- Goal 9:** Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
- Goal 10:** Reduce inequality within and among countries
- Goal 11:** Make cities and human settlements inclusive, safe, resilient and sustainable
- Goal 12:** Ensure sustainable consumption and production patterns
- Goal 13:** Take urgent action to combat climate change and its impacts
- Goal 14:** Conserve and sustainably use the oceans, seas and marine resources for sustainable development
- Goal 15:** Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
- Goal 16:** Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
- Goal 17:** Strengthen the means of implementation and revitalize the global partnership for sustainable development

Source: UN DESA. 2014.

<sup>1</sup> UN. 2012. The future we want – final outcome document. A/CONF.215/L.1. Available at: [http://www.un.org/disabilities/documents/rio20\\_outcome\\_document\\_complete.pdf](http://www.un.org/disabilities/documents/rio20_outcome_document_complete.pdf)

<sup>2</sup> UN DESA. 2014. Sustainable Development Knowledge Platform: Open Working Group Proposal for Sustainable Development Goals. Available at: <https://sustainabledevelopment.un.org/sdgsproposal>

At first glance, the list of SDGs may appear to be destined primarily for developing countries rather than for developed countries. Indeed, it is stressed that least developed and developing countries require special and differentiated attention for SD. However, the proposal for SDGs by the Open Working Group (2014) clearly emphasizes the global character of SDGs and, therefore, also addresses developed or industrialized countries. In the following paragraphs of the SDGs proposal, the importance of developed countries in the realization of SDGs becomes evident:

- ❖ In *Paragraph 8*, the OWG underscores that the global nature of climate change requires the widest possible cooperation by all countries. International participation in accelerating the reduction of global greenhouse gas emissions and protecting the climate system for present and future generations should be based *on common but differentiated responsibilities and respective capabilities*.
- ❖ *Paragraph 10* identifies that *each* country faces specific challenges to achieve SD. However, more vulnerable countries, for instance, nations in situations of conflict require differentiated attention compared to developed countries.
- ❖ *Paragraph 12* addresses – among others – the *importance of development strategies*. It underlines that *each* country has primary responsibility for its own economic and social development and that the role of national policies, domestic resources and *development strategies* cannot be overemphasized enough.
- ❖ *Paragraph 13* refers to the phrase ‘*common and differentiated responsibilities and respective capabilities*’. It stresses the different approaches, visions, models and tools available to *each* country, in accordance with its national circumstances and priorities in order to achieve SD in its three dimensions.<sup>3</sup>

Of course, there is further room for interpretation when it comes to the importance of SDGs implementation in developed countries and the crucially global role of SDGs. Interestingly, the *importance of development strategies* is stressed in paragraph 12. Therefore, it can be argued that the national integration of SDGs should be dealt with in national sustainable development strategies (NSDSs). However, the main message in this chapter is that SDGs have an inclusive and global character with the mission to implement SD in its three dimensions globally and in *each* country. Therefore, indeed they address developed countries as well.

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<sup>3</sup> UN DESA. 2014. Sustainable Development Knowledge Platform: Open Working Group Proposal for Sustainable Development Goals. Available at: <https://sustainabledevelopment.un.org/sdgsproposal>

## 2 Four national experiences of SDGs activities: Belgium, Germany, Latvia and Slovenia

In this chapter, we illustrate the results of the survey on SDGs activities in 2014 and the interviews which were conducted in May 2015. Thereby, we identify what national efforts and preparations for integrating the SDGs framework in national agendas have been undertaken so far. From the survey in 2014, which was an immediate follow-up of the ESDN 2014 Conference<sup>4</sup>, we found out that some EU Member States have been already starting their preparations for integrating the SDGs agenda in their respective national policy environments. For this case study, we revisit the results of the survey and selected four countries (Belgium, Germany, Latvia and Slovenia) that have been particularly engaged in preparation processes for the post-2015 agenda.

Whereas the survey in 2014 was about SDGs related activities, in the telephone interviews of May 2015 we extended the scope on the complementation of SDGs contents in national policy documents and objectives, the appropriate institutional set-up for SDGs, and already undertaken and future activities to integrate SDGs in the national policy agenda. We interviewed three colleagues on the phone and our Slovenian colleague sent us the answers to the questions in written form. In the following pages, we portray four country experiences with SDGs activities, based on the survey from 2014 and the telephone interviews from May 2015.

### 2.1 Belgium

In Belgium, the responsible government body for the negotiation of the SDGs is the Ministry for Foreign Affairs which is leading through coordination mechanisms at the horizontal (federal ministries) as well as the vertical level (sub-national authorities). Their inputs feed the Belgian position in European or multi-lateral organisations.

According to the survey from 2014, SDGs related activities in Belgium mainly took place within the context of the existing coordination structures in charge of SD and development cooperation. In 2015, the Federal Institute for SD organized several internal seminars for federal public servants on SDGs. Furthermore, it was also planned to foster instruments of the federal SD strategy and build up coherence between the different time horizons of the various documents: the Belgian federal long-term vision is setting goals towards 2050, Belgium's federal and regional plans or strategies up to 2020, and SDGs are addressed towards 2030.

<sup>4</sup> ESDN Conference 2014: A renewed policy framework for sustainable development – The international SD agenda and its impact on Europe.

### 2.1.1 Status quo and challenges for SDGs activities

Since November 2014, Belgium has continued its work on the national SDGs implementation and is finding itself in the middle of preparations for the national SDGs integration – as became evident from the telephone interview in May 2015. Our Belgian interview partner is working in the unit ‘Strategy and Planning’ of the Federal Institute for Sustainable Development and consulted his colleagues from Wallonia, Brussels and Flanders in order to provide us their perspectives as well. He stated that, at the moment, the federal level is mainly investigating **how to integrate SDGs in already existing mechanisms and instruments**.

Currently, the main work on SDGs at the federal level consists of checking whether the goals of the Federal’s long term SD vision and the forthcoming federal plan are coherent with the medium-term objectives of SDGs. As mentioned by our interview partner, there are also discussions at an early stage about **monitoring the SDGs and what indicators to use**.

Furthermore, several activities on SDGs are in process at the moment in other federal entities:

In the Brussels Region, for instance, they have no specific SD policy, but they are looking into how sectoral policies could contribute to SDGs. Therefore, they are trying to **link existing or new strategies or documents to the SDGs agenda**, for instance, the climate/energy plan and a sustainable food strategy.

In Wallonia, consultation processes with colleagues from other departments have been taken place to talk about the proposal of SDGs and targets, and how to integrate and implement them. This consultation also contributes to **awareness raising among ministries**. The current priority is dedicated to the finalization of the SD regional strategy.

Within the activities on SDGs so far, our interview partner identified **two main challenges** in regard to SDGs implementation:

- ❖ On the one hand, *choosing, prioritizing and organizing indicators* represents a difficulty because the choice is immense, ranging from UN indicators to national ones. Our Belgian interview partner pointed out that “for us, it is really important to work on this because it will be needed to monitor the progress”.
- ❖ On the other hand, there is a strong need to *communicate the SDGs* to the political leaders as well as to civil society. Since SDGs have a wide scope, it will be challenging to communicate and mobilize as well as integrate the various contributions to the process.



### 2.1.2 Governance mechanisms for SDGs

As far as SD governance mechanisms in Belgium are concerned, our interview partner states that there is a **huge existing institutional structure on SD**. He is convinced that the existing mechanisms are working well and that they are indeed appropriate for integrating the SDGs agenda in the national policy agenda. According to his view, this does not undermine the importance of the cooperation between the federal and the sub-national entities. Therefore, he believes that new agreements at the political level will be needed to foster stronger cooperation.

Please find more information on Belgium's perspectives on supporting stronger cooperation within the context of the SDGs agenda:

#### Box 2: Belgium's plan for stronger governance cooperation through SDGs agenda

Due to the fact that Belgium is a federal country with a federal system (including federal and subnational entities), (SD) policies and, hence, also the integration of SDGs vary from federal entity to entity. There are no hierarchical relations between federal and subnational entities and they are all cooperating towards objectives. However, they have different competences. Therefore, the federal SD plan is only valid for the federal state and each subnational entity has its own SD strategy.

Besides the federal and subnational entities, Belgium has relaunched a formal framework for cooperation between entities in October 2013 (Inter-ministerial Conference for SD) in order to build a national strategy. While the federal entities are discussing how to implement SDGs in their agenda, considerations have been made to launch a national strategy fostering cooperation and harmonizing contents and objectives of federal and subnational entities. In this regard, our interview partner also emphasized the importance of building up a common approach between the various government levels in Belgium and that the **SDGs agenda may be a tool to foster this harmonization**. The aim of this national strategy – being deeply rooted in already existing strategies and aimed at delivering the SDGs agenda – should be to implicate more actors and *placing SD into the core business of the government as well as to involve all ministers*, such as the Minister for Foreign Affairs and International Cooperation. “We hope that the SDGs agenda will give a boost to cooperation and extend the scope of SD and SD cooperation within the country”, our interview partner states.

As a first step, the Inter-ministerial Conference for SD decided in April 2014 to establish a common framework for SD containing long-term objectives on SD valid for each level. However, this framework does not contain strict commitments, but rather proposes long-term goals. The next step will include a public consultation work on indicators and identification of thematic priorities for cooperation among federal levels.

Regarding **monitoring and reviewing mechanisms for SDGs**, there is not yet an established framework and discussions are only at an early stage. However, as our Belgian interview partner referred to, there is a clear **preference to work with existing structures**. The cooperation between the federal and sub-national level as well as the communication to the international level, however, will be new. Until this moment, each level is monitoring and reporting its own progress concerning its own federal and subnational strategy. Our interview partner argued that Belgium is waiting for an EU position on monitoring, accountability and reviewing in order to find out how to deal with the cooperation of federal and sub-national level and the following communication to the international level.

### 2.1.3 Outlook on further SDGs activities

Since the scope of SDGs is very broad, our Belgian interview partner pointed out that “there is the need to mobilize civil society and to look for other structures outside of the usual suspects working on SD or the SD strategy. Usually, we deal with well-known civil society organizations, the Council for SD with representatives of CSOs, but it will be interesting to look for new partnerships, too.”

Here are some activities which are in the planning process for this year:

- ❖ Looking for new partnerships;
- ❖ Update of the existing strategies from each level;
- ❖ Enforcement of interaction between the various levels of governance;
- ❖ Debate on SDGs implementation in the federal structures will take place in October and November 2015: for example, each federal public service will have to adopt an action plan for SD in the beginning of 2016 in which it will among others explain how its policies will contribute to the implementation of the goals of the long term vision/SDG;
- ❖ Awareness raising campaign on SDGs; and
- ❖ Subsidies for the civil society and the private sector to foster SDGs.

As mentioned by our interview partner from Belgium, the **SDGs are a topic for the whole government and not only the minister responsible for SD**. He also said: “The SDGs agenda and its implementation at the national level is an opportunity to push SD at the political agenda as well as to place it in the core of the government and not only to the ministers responsible for SD. Therefore, it will become important to push for an inclusive strategic approach on SD, not only in the daily functioning of the administration (procurement, building, etc.), but also to link existing or forthcoming policies with the SDGs.”

## 2.2 Germany

Since 2014, Germany is remarkably engaged in the national implementation of the SDGs agenda, as the survey from last year as well as the telephone interview from May 2015 prove. The responsible government body responsible for SDGs processes in Germany are the Ministry for Environment and Building and the Ministry for International Cooperation that also coordinate SDGs issues in the negotiations for Germany. On the other hand, the Federal Chancellery is in the lead for the national implementation of SDGs and defined the national SD strategy as the main frame for implementation on the federal level.

In 2014, following SDGs activities have already taken place:

- ❖ Dialogue-workshop with civil society, organized by the Ministry for Environment and Building and Ministry for International Cooperation (19 September 2014)
- ❖ Two meetings of Secretary of States Committee on the post 2015-agenda as well as on indicators and 2030 perspectives (September 2014)

- ❖ The “Future Charta” (*Zukunftscharta*) which is related to the post-2015 agenda was developed by the Ministry for International Cooperation in order to enhance the dialogue with the civil society.

### 2.2.1 Status quo and challenges for SDGs activities

As mentioned by our interview partner from the German Chancellery, Germany is trying to **bring in line its NSDS with the goals of the post-2015 agenda** since last year.

He also stated that there were nine activities and one meeting of the Secretary of States Committee for SD which has decided that SDGs will be a crucial reference point for the further elaboration of the NSDS. Following up on this, a **reviewing process** is currently being carried out by the Council for SD. According to our interview partner, this process started last year and is planned to be concluded by May 2015 with a position paper to the Federal Government.

For further information on this aforementioned review process, we refer to the following box:

#### Box 3: Review Process for SDGs and Post-2015 Agenda in Germany

The Council for Sustainable Development in Germany consists of 80 experts from associations, ministries and civil society organisations and acts as consultant to the Federal Government of Germany providing advice on the use of indicators and the National Sustainable Development Strategy linked to SDGs contents. It was commissioned to find out which conclusions to draw from the first discussions on SDGs implementation.

The review process is supposed to compare and link single indicators to specific targets in order to define a comprehensible structure for SDGs. Following that, SD objectives are checked whether they are addressing SDGs contents and whether certain gaps have to be filled, if data is missing or certain objectives have to be complemented.

Furthermore, in November 2014, it was decided by the Secretary of States Committee to make SD goals in the NSDS towards 2015, 2020 and 2030 coherent with the 2050 Agenda and to develop appropriate indicators. Consequently, a second review process by the inter-ministerial working group was initiated to follow up on this decision. This process has been started and is carried out at the moment. To sum up, two review processes are currently in place in Germany with the aim to develop a coherent **system integrating the SDGs agenda in the NSDS**.

The most recent process on SDGs implementation in Germany is the Resolution of the German Federal Parliament (February 2015) on the implementation of SDGs which should be dealt with the NSDS drawing on the report of the Cabinet from December 2014 on **using the NSDS as reference point to deal with SDGs issues**.

As far as **challenges and lessons learned from SDGs processes** are concerned, our German interview partner mentioned the following major issues:

- ❖ In his view, it has become clear that the *majority of the SD objectives within the NSDS in Germany already addresses the SDGs*. However, there are three target areas that have to be complemented with SDGs contents: poverty, water, and the protection of the marine environment. For those areas, objectives are still required.
- ❖ On the other hand, our interview partner emphasized that Germany has learned that the *existing review processes for SD are indeed appropriate for the implementation of SDGs contents*. So, the basic machinery is there as well as the impact assessment for SD for laws and regulations which is anchored in the NSDS.
- ❖ However, it is *still open whether the existing institutions and processes have to be adapted*, further developed and strengthened in order to achieve the expected level of ambition for a comprising implementation.

### 2.2.2 Governance mechanisms for SDGs

It seems that Germany is confident about the existing governance processes for SD and, therefore, feels fit for SDGs implementation. As argued by our interview partner, “we have learned that the German NSDS addresses almost all issues concerning SDGs and that our institutional framework is considered as being appropriate for implementing SDGs contents, even if there are still some minor things which will be needed to adapt”.

As mentioned above (see chapter 2.2.1.), there are reviewing mechanisms on the integration of SDGs into the national agenda already in the process. Additionally, Germany publishes progress reports every four years and an indicator report is done by the Federal Statistical Office every two years. Our interview partner mentioned that “at the moment, we are considering if further progress reports and complementing review mechanisms make sense for the future. In the context of implementing the SDGs in the NSDS’ structure and further developing the German NSDS, we have to keep in mind that the national strategy should remain practical in terms of implementing and monitoring its objectives. Therefore, we need to maintain the balance between the expectations and prioritisation of the post-2015 agenda and keeping the NSDS easily manageable.”

However, our interviewee underlined that the implementation of SDGs may not only work with setting objectives. **Goals and targets are just one policy instrument among others.** One can also think of regulations, law and inter-ministerial cooperation. However, it still remains open how the further reporting processes will look like and that the German Chancellery is still thinking about to design reporting systems. The possibility of policy platforms or cabinet reports is also taken into consideration. In order to link contents, SDGs topics should provide a structure for NSDS objectives in the future and, as pointed out by our interview partner, “Eventually, the NSDS should remain the essential framework for SDGs implementation”.

### 2.2.3 Outlook on further SDGs activities

As our German colleague mentioned, the dialogue on the development of the NSDS starts in autumn 2015 and, also in 2015, the next NSDS progress report is planned to be published. From October 2015 on, Germany has various SDGs conferences and events on the agenda:

- ❖ Conference in Berlin with the Federal Minister for Special Affairs and the Chief of Staff of the German Chancellery, Minister for the Environment, State Secretaries and other representatives of the Federal Government.
- ❖ Four Regional Dialogue Conferences (in the South, North, West, Eastern parts of Germany)
- ❖ Expert Dialogues (i.e.: Dialogue for the National Sustainable Development Strategy) which will ground the foundation of the next progress report in 2016.

## 2.3 Latvia

In Latvia, the Cross-Sectoral Coordination Centre is the central body responsible for SD issues. It was established in 2011 and is under direct supervision of the Prime Minister which should ensure policy coordination, consistency and compliance between all national planning documents as well as the coordination of long-term and mid-term national development planning documents, such as the National Development Plan and the NSDS. From the survey undertaken in November 2014, it became evident, that Latvia is planning to update its NSDS, evaluate, revise and ensure its coherence with the SDGs and the post-2015 agenda.

### 2.3.1 Status quo of SDGs activities

In 2014, the National Development Council was established and set up by the Prime Minister. It was established with the aim of facilitating a long-term national development, evaluation and finance plan. Its work is supervised by the Cross-Sectoral Coordination Centre, where our interview partner is working. So far, one introductory meeting has been taken place to gather ideas for the future agenda. Our interview partner argued that in the past few years, Latvia undertook a number of activities which were launched to enforce the development agenda.

- ❖ The Sustainable Development Strategy of Latvia;
- ❖ The National Development Plan;
- ❖ The National Reform Programme of Latvia for the Implementation of the Europe 2020 Strategy;
- ❖ Government Action Plan; and
- ❖ Latvia was opening the European Year of Development 2015 with a Conference on a vision for an inclusive and sustainable post-2015 world.

There was a discussion with the Ministry of Foreign Affairs about how to proceed with the implementation of SDGs into national planning documents. At this occasion, it was decided that the **main national activities to address SDGs will start after September 2015** as soon as there is a clear

decision on SDGs by the UNGA. In addition to the above mentioned initiatives, no further specific national activities have been undertaken to address and implement SDGs in the meantime.

### 2.3.2 Governance mechanisms for SDGs

Since no decisions for national SDGs implementation have been taken so far in Latvia, it is **not clear how the institutional set up for the SDGs agenda will look like**. However, as our Latvian interview partner argued, it is planned to involve the Cross Sectoral Coordination Centre, the National Development Council and the Cabinet of Ministers. There is a clear tendency, so our Latvian colleague, that **no new institutions for the SDGs agenda will be established**. He is quite confident that the newly established Council for SD will be one of the institutional mechanisms with which the SDGs will be implemented.

As far as monitoring and reviewing mechanisms for SDGs are concerned, our interview partner stated that Latvia will try to provide additional indicators coming from the scope of SDGs. However, they will not yet be included in the official list of indicators approved by the parliament. Yet, it is likely that they will be integrated in the national planning documents for official monitoring and reviewing.

### 2.3.3 Outlook on further SDGs activities

As our interview partner points out, a meeting with the Ministry of Foreign Affairs, by the end of June 2015, is planned to talk about how the implementation of SDGs the post-2015 goals could be transferred to the national policy documents, mainly to the NSDS and the NSDP. As already mentioned, the National Development Council probably will be used to discuss how Latvia should approach SDGs and the post-2015 agenda. The following activities will be the next steps regarding the national SDGs implementation:

- ❖ After September, discussions with the Foreign Ministry as well as aligned ministries being responsible for sectoral policies, welfare and income inequality, will address issues such as implementation, time frame, priorities and urgent activities.
- ❖ Latvia will try to boost discussions on the NSDS and the National Development Plan based on SDGs and post-2015 agenda.

However, for Latvian's EU Presidency in the first half year of 2015, priorities lie rather on the digital agenda and competitiveness rather than on SD issues.

## 2.4 Slovenia

In Slovenia, post-2015 activities are coordinated by the Ministry of Foreign Affairs, with strong inter-ministerial cooperation. In the preparation for implementing SDGs on the national level, Slovenia (with Montenegro) has actively participated in the Open Working Group (OWG) on SDGs and activities in the OWG were coordinated through inter-ministerial coordination. Furthermore, in 2012 and 2013, the Slovenian Ministry of Foreign Affairs has presented and coordinated national priorities and positions for the post-2015 processes.

### 2.4.1 Status quo of SDGs activities

In the run-up for the SDGs agenda, Slovenia organized several events on different thematic SDGs issues, such as:

- ❖ The Water Partnership Slovenia (with the Ministry of Foreign Affairs) and a round-table discussion on water SDGs ;
- ❖ The European Year for Development as part of the process for preparing the Framework Programme for the Transition to Green Economy 2015-2016; and
- ❖ In May 2015, several Ministries (Ministry of the Environment and Spatial Planning, Ministry of Economic Development and Technology, Ministry for Foreign Affairs, Ministry of Family, Labour and Social Affairs), the Office of the Prime Minister, and the Association of Municipalities and Towns of Slovenia organised the Conference, “Potentials for a sustainable future”. The conference and accompanying events were aimed at raising awareness about the goals and processes of sustainable development and providing inputs and potentials for SDGs implementation in Slovenia.

### 2.4.2 Governance mechanisms for SDGs

As far as *Governance Mechanisms for SDGs* are concerned, our Slovenian colleague outlined that **Slovenia’s existing Development Strategy will tackle issues of integrating the SDGs** topics and objectives, as well as define monitoring and reviewing mechanisms. However, the update of the Development Strategy is still in preparation.

### 2.4.3 Outlook on further SDGs activities

As regards future work on SDGs, the post-2015 process activities and the Slovenian membership activities in the Open Working Group on SDGs will be taken over by the Ministry of Foreign Affairs. According to our interview partner, it is very likely that **ad-hoc inter-ministerial expert working groups** will be re-established, also for preparing national positions. Furthermore, she pointed out that “the Slovenian government will continue to actively participate in inter-governmental processes at the EU and UN level. We will follow the same path in developing our national positions through broad cooperation of all ministries.”



### 3 Conclusion: Similarities and differences of national SDGs approaches

This chapter briefly summarises the main similarities and differences of the preparation activities for integrating the SDGs agenda into national policy frameworks in four EU Member States.

All our interview partners from the four selected Member States are working towards the implementation of SD at the national level and highlighted that all their respective countries have already designed **activities of how to integrate the SDGs agenda in the national policy framework**. However, they are all at **different stages**: whereas Germany and Belgium are already in the middle of the preparation processes and consider how to institutionalize the SDGs in their country, Latvia and Slovenia are still dealing with content approaches finding out what gaps they are facing in their national objectives with regard to the SDGs. Especially our Latvian interview partner argued that they want to take the next steps regarding the integration of SDGs only after the final decision is taken in September 2015.

What is similar to all countries is that SDGs-related activities and initiatives have, so far, revolved around the **organisation of events, meetings and workshops**, but also on **dialogues with stakeholders** to exchange views and broaden the participation towards the post-2015 agenda process.

The survey and interview results show that the Ministry for Foreign Affairs will have a central role in transferring the SDGs agenda to the national level in all countries. Furthermore, all four countries intend to use **existing structures and governance mechanisms (including coordination and consultation mechanisms) for the implementation of SDGs**. Within this context, all interviewees agreed that the first reference point of **aligning SDGs with national goals was the NSDS and that they intend to use the NSDS for the SDGs implementation**.

All of our interview partners outlined the following important next steps in regard to harmonizing the SDGs agenda with the national one:

- ❖ Work towards **coherence in terms of time horizons** of national goals, documents and the SDGs; and
- ❖ **Complement national SD objectives** with SDGs.

To sum up, it is important to note that the countries included in this case study intend to **link SDGs mechanisms to NSDSs and other existing structures**, and **maintain already established processes**. However, the **approach and the focus of SDGs topics vary among the countries** as well as the extent of their preparatory activities.



## Annex

### QUESTIONNAIRE

#### National experiences with activities on sustainable development goals (SDGs)

##### I. CURRENT SDGs ACTIVITIES

1. Building upon the survey of October 2014 on SDGs – which **national activities** have been undertaken since then **in your country** to **address and implement SDGs**? Please provide us with examples.
2. Out of all the activities to address/implement SDGs, what were the **2-3 most important lessons learned** in terms of
  - (i) **integrating SDGs topics or objectives** into the national level (e.g. relation to national SD objectives, indicator sets, etc), and
  - (ii) the **existing SD governance mechanisms in your country**?
3. In addition to activities addressing SDGs, have you already developed ideas for **monitoring and reviewing mechanisms** for the SDGs?

##### II. OUTLOOK

4. Are there any **further activities planned to address SDGs** for the period after September 2015, i.e. after their launch?
5. In terms of **governance structures**, will you use the existing national SD mechanisms to address SDGs or do you plan to set up a new governance structure for SDG activities?
6. How will the **SDGs be linked to your existing NSDS processes** (in terms of integrating their objectives, and integrate them in institutional competencies)? Do you think the SDGs agenda will “boost” the NSDS processes in your country?



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# Monitoring Sustainable Development - Experiences and recommendations for monitoring Sustainable Development Goals

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ESDN Case Study N°21



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## Introduction

This case study is part of the background reports prepared for the **12<sup>th</sup> ESDN Workshop, 'Monitoring and reviewing sustainable development goals (SDGs) in Europe: current debates in EU Member States and on the European level'**, that is taking place in Brussels on 16 June 2015. It builds on the discussions and recommendations from the [ESDN Conference 2014](#), 'A renewed policy framework for sustainable development – The international SD agenda and its impact on Europe', that took place in Rome, Italy on the 6-7 November 2014, as well as the January 2015 [ESDN Quarterly Report No. 36](#), 'The Sustainable Development Goals (SDGs) and their impact on the European SD governance framework'.

Acknowledging that **experiences and expertise of different stakeholders** could provide valuable insights into the success factors of SD monitoring frameworks and their influence on policy-making, this case study investigates the long-standing experience of **Eurostat**, the institution charged with monitoring SD in Europe since the adoption of the EU Sustainable Development Strategy (EU SDS) in 2006, and the FP7-funded **research project** 'Policy Influence of Indicators' (POINT).

Firstly, this case study will briefly outline the current state of the SDGs and prevalent ideas for a framework to monitor these goals. Subsequently, the **experiences and key challenges for monitoring SD and implications for the SDGs monitoring process** will be investigated by looking at Eurostat's experiences and the POINT project's suggestions, in turn. The case study will conclude with a list of issues that require further consideration and discussion.

# 1 Monitoring the Sustainable Development Goals (SDGs)

Monitoring and reviewing the process towards achieving sustainable development in practice is of great importance to **assess the level and quality of implementation, identify gaps, and share best practices**. Thus the monitoring and reviewing framework will play an important role in the implementation of the Sustainable Development Goals (SDGs), which are currently being finalized by the United Nations in New York City and launched in September 2015<sup>1</sup>. Initiated by the Rio+20 Conference and its outcome document 'The future we want'<sup>2</sup>, the SDGs are scheduled to replace the Millennium Development Goals (MDGs) in 2015. The SDGs are preliminarily constituted by a total of 17 goals and 169 targets, 16 substantive goals focussing on the eradication of poverty and sustainable development that are related to 106 of these targets, and one goal concerning 'strengthening the means of implementation and revitalising the global partnership for sustainable development' that is related to 62 targets<sup>3</sup>. The complexity and interrelatedness of goals and targets clearly calls for the development of an **indicator and monitoring framework** that makes an assessment of the progress towards these goals possible.

The **Sustainable Development Solutions Network (SDSN)** has recently published the report 'Indicators and a Monitoring framework for Sustainable Development Goals: Launching a data revolution for the SDGs'<sup>4</sup> (hereafter SDSN Report). The main outcome of this report was a call for **reporting at multiple levels** (national, global, regional and thematic)<sup>5</sup> and indicators that **fill the gaps in available indicator sets** and are **reported annually** (or with robust projections)<sup>6</sup>. The **10 criteria** the report proposes for **robust indicators for SDGs** include<sup>7</sup>:

1. Limited number and differentiated by reporting level;
2. Clear, with straightforward policy implications;
3. Allow for high frequency reporting;
4. Consensus based, in line with international standards and reporting system-based information;
5. Constructed from well-established data sources;
6. Disaggregated;
7. Universal;
8. Mainly outcome focussed;

<sup>1</sup> The United Nations Summit to adopt the post-2015 development agenda is scheduled to take place from the 25-27 September 2015, see further information at

<https://sustainabledevelopment.un.org/index.php?page=view&type=13&nr=1064&menu=1634>

<sup>2</sup> United Nations General Assembly. 2012. The Future we want. A/RES.66/288, available at

<http://www.uncsd2012.org/content/documents/727The%20Future%20We%20Want%2019%20June%201230pm.pdf>

<sup>3</sup> see 'Zero Draft' document Open Working Group of the General Assembly on Sustainable Development Goals. 2014. Open Working Group proposals for Sustainable Development Goals, A/68/970, available at

<https://sustainabledevelopment.un.org/content/documents/1579SDGs%20Proposal.pdf>

<sup>4</sup> SDSN (2015) 'Indicators and Monitoring Framework for Sustainable Development Goals', available at <http://unsdsn.org/wp-content/uploads/2015/01/150116-Indicators-and-a-Monitoring-Framework-for-SDGs-working-draft-for-consultation.pdf>

<sup>5</sup> ibid page 5-10

<sup>6</sup> ibid page 13

<sup>7</sup> ibid page 10-12

9. Science-based and forward-looking; and
10. A proxy for broader issues or conditions.

Furthermore, the report echoed the call for a ‘data revolution’ also made by the Secretary-Generals’ High Level Panel on the Post-2015 Agenda that comprises innovative technologies for data collection and sharing that complement existing data sources<sup>8</sup>. In particular, the SDSN report highlighted the potential of geo-referenced data and the use of smartphones<sup>9</sup>.

## 1.1 Potential of exploring experiences of different stakeholders

The effectiveness of the **monitoring and indicator framework for SDGs** is of uttermost importance because it could act both as a **reporting system** and a **management tool** that informs policy decisions at different levels. Therefore, it will be essential to **harness all experiences and expertise with monitoring sustainable development** and the implementation of more sustainable practices. The SDSN report shows that there are already substantial efforts to explore how such a multi-level monitoring framework could be implemented within the SD community. However, the report also stresses the importance of **multi-stakeholder processes and thematic consultations** to set SDG indicators<sup>10</sup>. Furthermore, it is also acknowledged that **harvesting of experiences with monitoring from other stakeholders** will be of substantial benefit for the design of a monitoring framework for SDGs. The SDSN itself, for instance, is a network launched by UN Secretary General Ban Ki-moon in August 2012 with the specific aim to ‘mobilise scientific and technical expertise from academia, civil society, and the private sector in support of sustainable development problem solving at local, national, and global scales’<sup>11</sup>. It is, therefore, also crucial to explore experiences with monitoring and reviewing of SD issues of other stakeholders.

This case study will explore experiences of different types of stakeholders with monitoring and reviewing mechanisms of sustainable development globally and in Europe in particular. **Eurostat and the FP7-funded POINT research project** represent different experiences with in SD monitoring and reviewing. Sharing these practical experiences with monitoring and reviewing SD could provide valuable insights for the future monitoring process of the SDGs.

<sup>8</sup> Independent Experts Advisory Group on the Data Revolution (2014). A World that Count: Mobilising the data revolution for sustainable development. , available at <http://www.undatarevolution.org/wp-content/uploads/2014/11/A-World-That-Counts.pdf>

<sup>9</sup> SDSN. 2015. ‘Indicators and Monitoring Framework for Sustainable Development Goals’, page 14

<sup>10</sup> ibid page 16

<sup>11</sup> See ‘Vision and Organisation’ on SDSN website <http://unsdsn.org/about-us/vision-and-organization/>



## 2 The European Perspective

### 2.1 Eurostat: Experience

Eurostat has **substantial experience with monitoring sustainable development through a set of quantitative indicators**. Already right after the 1992 United Nations (UN) Conference on the Environment, Eurostat worked together closely with the UN work programme to develop global indicators of sustainable development and also published indicator compilations in 1997<sup>12</sup> and 2001<sup>13</sup>. Furthermore, Eurostat has extensive experience in monitoring sustainable development in Europe. The renewed **EU Sustainable Development Strategy (EU SDS)** was adopted in 2006<sup>14</sup> is complemented by a **bi-annual monitoring report** on sustainable development provided by Eurostat.

The following section explores how the experiences that Eurostat has made with monitoring sustainable development can provide us with insights that could be valuable in the design and implementation process of a monitoring framework for the SDGs. It draws on monitoring reports and information available on the Eurostat website<sup>15</sup> and a telephone interview with an SD indicator expert from Eurostat, formerly from Eurostat Unit C4 'Key indicators for European policies'.

The main approach that Eurostat uses to monitor sustainable development is the monitoring reports of the EU SDS<sup>16</sup> through a set of **Sustainable Development Indicators (SDIs)**. The monitoring report provided by Eurostat thus constitutes the key document by which the implementation of the EU SDS is followed-up and, consequently, **informs EU policy**.

<sup>12</sup> Eurostat. 1997. Indicators of sustainable development: A pilot study following the methodology of the United Nations Commission on Sustainable Development, Luxembourg, Office for Official Publications of the European Union, 1997

<sup>13</sup> Eurostat. 2001. Measuring progress towards a more sustainable Europe: Proposed indicators for sustainable development, Luxembourg, Office for Official Publications of the European Union

<sup>14</sup> <http://register.consilium.europa.eu/doc/srv?l=EN&f=ST%2010917%202006%20INIT>

<sup>15</sup> Eurostat website <http://ec.europa.eu/eurostat>. See for more detail Eurostat (2013) Sustainable Development in the European Union. Key messages. 2013 Edition. Luxembourg: Publications Office of the European Union. Available at: <http://ec.europa.eu/eurostat/documents/2995521/5168890/8-12122013-CP-EN.PDF/be0127a8-69c5-414d-b1ba-e9d025fa54c1>

<sup>16</sup> Monitoring reports available for download at <http://ec.europa.eu/eurostat/web/sdi/publications>

SDI theme	Headline indicator	Evaluation of change in the EU-27
Socioeconomic development	Real GDP per capita	
Sustainable consumption and production	Resource productivity	
Social inclusion	People at risk of poverty or social exclusion (*)	
Demographic changes	Employment rate of older workers (?)	
Public health	Life expectancy at birth (**)	
Climate change and energy	Greenhouse gas emissions	
	Share of renewable energy in gross final energy consumption (*)	
	Primary energy consumption	
Sustainable transport	Energy consumption of transport relative to GDP	
Natural resources	Common bird index	
	Fish catches from stocks outside safe biological limits	
Global partnership	Official development assistance (**)	
Good governance	[No headline indicator]	:

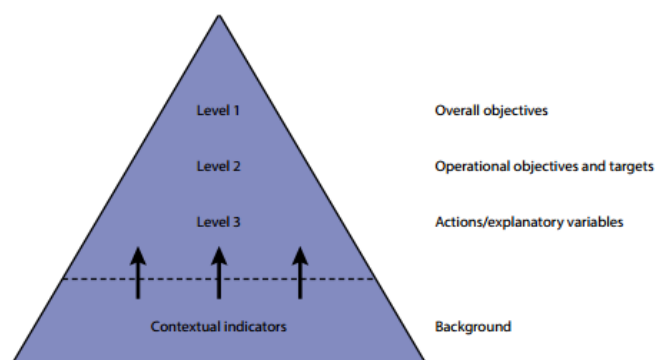
(\*) From 2008. (\*\*) From 2004

**Figure 1: Evaluation of changes in the SDI headline indicators in Eurostat 2013 report**

The latest edition of this report is ‘Sustainable development in the European Union - 2013 monitoring report of the EU sustainable development strategy’<sup>17</sup> that will be followed up with a monitoring report in 2015 that is currently being prepared. The report contains **indicators**<sup>18</sup> for the following **ten themes** representing the seven key challenges outlined in the EU SDS (sustainable consumption and production; social inclusion; demographic changes; public health; climate change and energy; sustainable transport; natural resources and global partnership) and the additional themes of ‘socioeconomic development’ and ‘good governance’ (see Figure 1). Most recently, the eight headline indicators of the Europe 2020 Strategy have been integrated into this monitoring framework. The progress in these different theme categories is represented by a **weather symbol**.

The themes contain different **indicator types** that form the so-called **SDI pyramid** (Figure 2). It comprises headline / level 1 indicators that represent the EU SDS’ overall objectives; level 2 indicators that represent the operational objectives and sub-themes; and level 3 indicators related to actions and measuring progress, such as breakdown by gender or income group. Finally, contextual indicators are also represented, they are not part of the SDI set and are not policy responsive, but give important background information. The main **data source** that is utilized mainly stems from the European Statistical System (ESS) and is complimented by data from the European Environmental Agency (EEA), the organisation for Economic Co-operation and Development (OECD) and the World Bank.

**Figure 2: SDI Pyramid in Eurostat 2013 monitoring report**



<sup>17</sup> Eurostat. 2013. Sustainable development in the European Union - 2013 monitoring report of the EU sustainable development strategy, Executive summary available at <http://ec.europa.eu/eurostat/documents/3217494/5759629/237EN-EN.PDF> ; full report available at <http://ec.europa.eu/eurostat/documents/3217494/5760249/KS-02-13-237-EN.PDF/f652a97e-e646-456a-82fc-34949bbff956>

<sup>18</sup> For a full list of indicators see <http://ec.europa.eu/eurostat/sustainabledevelopment>

## 2.2 Eurostat: Key challenges in monitoring SD in practice

A Eurostat SD indicator expert focussing on the monitoring of SDIs, reported that her *'experience is that (the SDIs are) not properly used at that **strategic level**'* and would have greater impact if taken into account when formulating political priorities. There is thus a strong need for a better link **between policy-makers and the monitoring mechanism**. To underline this argument, she pointed out that regular updates of indicators sets and reporting to the Council every second year was part of the 2006 Sustainable Development Strategy, but that this process was not implemented in practice.

Moreover, she stressed that the **consensus on headline indicators between different countries** is essential. These indicators then have the ability to be better communicated between different countries, while explanatory indicators enable a more in-depth analysis.

Also, **reliability and availability of data** is always a key challenge of providing substantive indicators that are comparable across different countries. The various national definitions and the different connotations in languages that a questionnaire is translated into (for instance as part of the EU-SILC survey on income, social inclusion and living conditions<sup>19</sup>), make comparability between countries challenging.

However, the expert from Eurostat repeatedly stressed that it is not the quality of data that is the main challenge, but how to **communicate** the results of the monitoring report to politicians and the wider public:

*'We have enough numbers and, still, in many areas there is no progress. I think it is not about getting more numbers, it is about actually doing something about the problems that we have already identified and have been measuring for decades.'*

She stated that a key experience for her was that *'it is very difficult to communicate too many different indicators, but you have to.'* In order to address the complexity of the issue, a larger number of indicators is essential to represent the developments in a meaningful way, because *'we want to make people think in a more holistic way'*. The expert concluded that a key factor of success is *'cleaner language'*. Eurostat has attempted to do this in the online 'statistics explained' section<sup>20</sup> and the publication 'Figures for the future: 20 years of sustainable development in Europe- A guide for citizens'<sup>21</sup> that was aimed at the general public. The Eurostat website, on the other hand, is mainly *'dedicated to professionals'*. This highlights that **communication is a crucial challenge** for monitoring SD in Europe.

<sup>19</sup> For more information please consult <http://ec.europa.eu/eurostat/web/income-and-living-conditions/overview>

<sup>20</sup> See [http://ec.europa.eu/eurostat/statistics-explained/index.php/Main\\_Page](http://ec.europa.eu/eurostat/statistics-explained/index.php/Main_Page)

<sup>21</sup> Available at <http://ec.europa.eu/eurostat/documents/3217494/5735463/KS-32-12-152-EN.PDF/e76aa406-0f49-48d4-874e-af2a38184767>

## 2.3 Implications for SDG monitoring process

The experience of Eurostat has important implications for the design of a monitoring framework for SDGs.

Similar to the EU SDS and Europe 2020 objectives, the 17 Sustainable Development Goals will act as a basis for structuring the monitoring process. However, countries are given much greater freedom as to which goals to prioritize. Furthermore, there is a greater diversity of development stages and **country-specific challenges** on the global compared to the EU level. The Eurostat expert argued that the key challenge for SDGs will be *‘that they will be **universal but adapted** – especially in the context of developed and less developed countries.’* A comparison between countries only becomes useful if there is some universality but, at the same time, one has to account for national idiosyncrasies. The expert suggested that a promising approach would be to have different indicators for a broad universal goal. For instance:

*‘For education (...) you would say the goal is appropriate education for human development and the need of the economy – for least developed countries they would measure literacy and in Europe we have two education indicators – the school dropout rate and tertiary education. So the goal that education plays a role in human development would stay the same- but you would chose a different indicator measure. You can see the progress, but you cannot directly compare the countries’*

Similarly, the **diversity of data sources**, national definitions, cultural meanings and language issues will be more prominent.

The SD indicator expert from Eurostat also strongly stressed that: *‘I am in big favour of **concrete targets**. But that depends on the field, whether it is possible to find a concrete target. In general, concrete targets are more useful to communicate to politicians and the general public – and trigger actions. In Europe 2020, we have concrete targets and that has more effect at the Member State level.’*

As explained above, the central challenge concerns the **communication** of the indicators to politicians and the public. The expert suggested that two different and, thus, **stakeholder-targeted channels of communication** would enable these two stakeholder groups to engage with and use the monitoring framework of SDIs in a more systemic way. This clearly suggests that communication with and reprocessing of insights gathered through a monitoring framework for different stakeholder groups should be central in the design of the monitoring approach of SDGs.

The Eurostat monitoring reports represent a prime example of a policy-based framework. This means that indicators are derived from particular policy objectives. This ensures that the indicators are **policy-relevant**. The SDGs also constitute clear policy objectives, thus making a similar monitoring system plausible. However, sustainable development is inherently complex and which objectives are given priority is a political decision. Consequently, the selection of indicators also has far reaching political implications. How and to what extent indicators can influence policy will be investigated in the next section.

## 3 The Research Perspective

### 3.1 Research: Experience

Indicators and monitoring have been in the focus of many research projects and thus can provide insights that are extremely valuable for setting up a monitoring framework for SDGs. This case study will explore one of these research projects in more detail: The **POINT Project**<sup>22</sup>, ‘**Policy Influence of Indicators**’, is a research project that undertook a variety of studies to explore the **influence and use of indicators on policy-making**. The project started in April 2008 and ended in spring 2011. The project structure is visualised in Figure 3. In public policy, indicators are utilized to monitor policy performance, create greater accountability, and promote policy learning. The POINT project had the aim of filling knowledge gaps about the role of indicators in policy-making and of examining whether, how and under which circumstances indicators influence policy-making<sup>23</sup>. One of the concrete cases that were investigated was the case of **national sustainable development strategies (NSDSs)**. This section of the case study reviews key deliverables of the POINT project<sup>24</sup> and presents the results of a written interview with Professor Stephen Morse, a key researcher in the project and Chair in Systems Analysis for Sustainability at the University of Surrey<sup>25</sup>.

The POINT project focussed on the **use and influence of indicators** on the formulation, implementation and adaption of policies. This included twelve separate studies of different indicators related to sustainability that were synthesized in a final report<sup>26</sup>. This includes sectorial indicators for energy policy

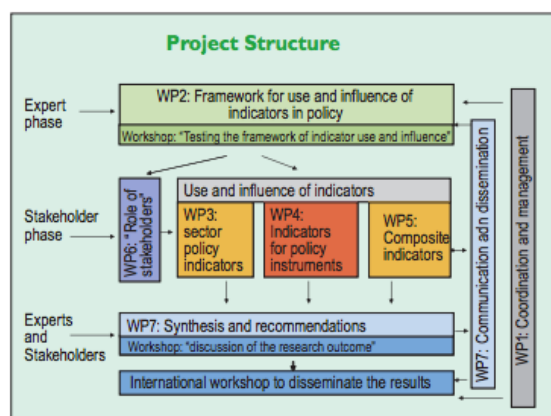


Figure 3: Structure of the POINT Project

<sup>22</sup> For more information please refer to the POINT project website <http://www.point-eufp7.info/>

<sup>23</sup> For a short summary of the project see

[http://static1.1.sqspcdn.com/static/f/602222/7217376/1275763722990/Point\\_Flyer1.pdf?token=jB51ZUY%2FKLadkKBirOSlibT6gLo%3D](http://static1.1.sqspcdn.com/static/f/602222/7217376/1275763722990/Point_Flyer1.pdf?token=jB51ZUY%2FKLadkKBirOSlibT6gLo%3D)

<sup>24</sup> All deliverables of the POINT project are available at <http://www.point-eufp7.info/point-deliverables/>

<sup>25</sup> See list of his research project and publications at [http://www.surrey.ac.uk/ces/people/stephen\\_morse/](http://www.surrey.ac.uk/ces/people/stephen_morse/)

<sup>26</sup> POINT. 2008. Deliverable 15: A Synthesis of Findings of the POINT Project, available at [http://static1.1.sqspcdn.com/static/f/602222/11716484/1302736662387/POINT\\_synthesis\\_deliverable+15.pdf?token=QIG0wt%2Fggaz7xAlJFNDOw0sgqQM%3D](http://static1.1.sqspcdn.com/static/f/602222/11716484/1302736662387/POINT_synthesis_deliverable+15.pdf?token=QIG0wt%2Fggaz7xAlJFNDOw0sgqQM%3D)

in UK, transport policy in Sweden, and the agri-environment sector in Slovakia and Denmark, as well as sustainable development indicators at the level of the European Union and in three of its Member States (Finland, Slovakia and Malta), and, finally, composite indicators in use for policy purposes in the European Union and in the media. Subsequently, a workshop-based method was used to gather data from across the sectors and the countries involved in the project. Through a synthesis of these studies the consortium gave **recommendations in five key areas**: policy processes; indicator influence; inclusion/ engagement/ participation; future research needs; and practical effectiveness. These will be elaborated in some more detail in the next section.

### 3.2 Research: Key challenges for indicator design and use

The findings of the POINT project highlight key challenges for the design of a monitoring framework that has meaningful impacts in terms of making progress visible and influencing policy. The POINT project made a list of recommendations that are of high relevance for the SDG process. The following section provides a synthesis of the overall project conclusions and **recommendations of the POINT project**:

- ❖ **Policy Processes**: Indicators play very **different roles** in different **policy contexts**<sup>27</sup>. Particularly in ‘soft’ policy areas, such as NSDSs, which lack ‘*concrete policy performance evaluations*’<sup>28</sup> the **instrumental use** of indicators was challenging. Although the institutionalisation of an indicator system is central to success, some cases showed that in absence of an ‘*indicator culture*’<sup>29</sup>. In the absence of such a culture that acknowledges the role and importance of indicators, reporting about the failure to reach targets becomes routine and draws little interest. Indicators also played a key **conceptual role** in fragmented institutional frameworks and ‘*served to structure the communication on policy targets and measures*’<sup>30</sup>. This was especially the case for composite indicators of sustainability that had the main role of providing a conceptualization of sustainable development that political actors could use to communicate with each other. Finally, the POINT project also found that indicators also have a **political role** as a tool to legitimize policy positions. Overall, the project found that there is a change in the role of indicators, with the conceptual role being more prominent at the policy preparation phase, while instrumental and political roles are more dominant at the implementation phase.

**Recommendation**: Indicator producers should pay attention to the possible strategic uses of an indicator in the political process in advancing certain framings of a problem and closing down others. The selection of indicators should be transparent, understandable and forward-looking.

- ❖ **Indicator Influence**: Another important issue that was raised is that the **use of an indicator does not guarantee influence**, i.e. an effect, on the policy process<sup>31</sup>. Often, sustainable development

<sup>27</sup> ibid page 9-10

<sup>28</sup> ibid page 9

<sup>29</sup> ibid page 10

<sup>30</sup> ibid page 11

<sup>31</sup> ibid page 11-13

indicators are intended to be used to inform the public and act as an explanation for policies rather than to directly influence policy, and are thus designed as composite indicators that have limited explanatory value. Other indicators are produced for specific policy evaluations and monitoring programmes. However, the POINT project found that in neither cases clear influence can be established, often due to limiting factors such as *'indicators of low quality, low acceptance among users, limited resources, poor institutional frameworks and, not least disconnects between those who defined it and those who influence policy.'*<sup>32</sup> Moreover, there is a **trade-off** between the instrumental and the conceptual role of indicators since *'conceptual use by broader publics is seen to require simplification and aggregation, whereas more disaggregated information is would be needed for indicators to fulfil their instrumental role'*. This in turn reduces the potential for fundamental policy change through constructive conflicts<sup>33</sup>.

**Recommendation:** Indicator producers should not prioritize one of these roles – instrumental, conceptual and political.

**Recommendation:** Furthermore, **inclusion/ engagement/ participation** of different stakeholders plays a central role in ensuring that the indicator is adequate to exert influence on the target audience and foster social learning.

- ❖ **Practical Effectiveness:** The key qualities of indicators are validity, reliability and timeliness, and these should be considered during the development of the indicator.

**Recommendation:** To have an instrumental role in particular, an indicator must be relevant, scientifically justifiable, measureable, reflect national particularities, and have a procedure in place to validate indicators that can then be used to inform policy.

- ❖ **Future Research Needs:** The role of indicators in (multi-level) governance processes; potential of evaluation and foresight techniques (ex ante assessments, impact assessments and scenario building); and opportunities for social leaning and collaborative analysis of various actor groups.

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<sup>32</sup> ibid page 13

<sup>33</sup> ibid page 14



### 3.4 Implications for SDG monitoring process

The implications that the results of the POINT project have for the SDG process were further elaborated in a written interview with Professor Stephen Morse. In answering the question ‘What are the **3 key insights** about the role of indicators in policy-making that came out of the POINT project?’ Professor Morse shared with us the most important conclusions of the project (original emphasis):

*(a) Indicator producers and users should make an effort to **increase the likelihood** that the indicators they produce and use actually help to open up policy-making to various interest groups, worldviews and normative standpoints.*

*(b) Indicator users and producers should seek to clarify for themselves the types of influence that indicators are **expected to achieve** in a given policy situation.*

*(c) Indicators can play a useful role in fostering **social learning**, for example, by helping to structure policy problems, build indicator frameworks, and clarify the various interpretations concerning the information that indicators convey.*

Furthermore, Professor Morse highlighted that the key **factors that make for successful monitoring of sustainability strategies** are ‘**data availability and data quality**’. He pointed out that the reason for this is that ‘these are areas that are still very under-developed.... We seem to place lots of effort into designing indicators, but very little consideration into how they will be populated.’

Another important issue that Professor Morse highlighted was ‘the issue of **presentation**’. Here, he referred to ‘the format in which indicators are shared between those creating/populating them and those mean to use them’. Professor Morse made the point that ‘we often think we know what this should be, but users of indicators are rarely – if ever – consulted about this although it is clearly important. Included here are issues such as frequency of reporting.’

Moreover, Professor Morse focussed on the critical subject of ‘**use/influence** of the indicators’. He suggested that there is still a high potential for future research in the area of investigating how indicators actually contribute to successful monitoring. For him, the ‘key aspect is what users want.... If the indicators can help meet the needs of users, then their chances of use will be much higher. But there are important interactions here, as users may not necessarily know what they want – or should want. Hence the important role of indicators in terms of raising awareness and engendering learning.’



Focussing on the implications the insights recounted above have for the **monitoring of SDGs**, Professor Morse responded with the following **suggestions**:

- ❖ *Put a lot more consideration into the collection of **quality data** for the SDGs. Raise the profile of this process and ensure that adequate **resources** are provided.*
- ❖ *Bring users in the discussions at a very early stage. Avoid the imposition of indicators and instead embrace a **co-development between indicator experts and indicator users**. Make sure that needs are met in terms of the style of presentation and frequency.*
- ❖ ***Evaluate** the use of indicators by the assumed user community. Do not just assume that they are used by someone but monitor this on a regular basis and be prepared to make changes as a result.*

## 4 Conclusions

The experiences of Eurostat with the EU SDS monitoring report and the insights from the POINT research project show some interesting implications for the development of the monitoring framework for the SDGs. It seems promising that the suggested criteria for robust SDG Indicators provided by the Sustainable Development Solutions Network seem to be compatible with the experiences explored in this case study. Both experiences of the Eurostat monitoring report and the different case studies in the POINT project suggest that **communication** should be a more central concern for the design of the monitoring framework. This has implications for the **different roles** an indicator plays in policy-making. Specific attention has to be paid how indicators can be designed and utilized in a way that they act equally as an **instrumental tool to measure progress**, a **conceptual tool to make SD more tangible**, and finally, also be a **political tool to rally support for the SDGs**.

This case study raises the following **points for discussion**:

- ❖ How to we select indicators that are both adequate for country-specific problems and universal in their appeal and ability for comparison between countries?
- ❖ What kinds of indicators are required for the SDGs process and how could they fulfil different instrumental, conceptual and political roles? How do we select indicators that are both policy-relevant (i.e. have concrete targets) and open enough to enable social learning and constructive conceptual discussions about sustainable development?
- ❖ How can we best process and present information to different audiences / target groups? How would a co-development process of indicators look like?
- ❖ What are specific mechanisms by which SDG indicators could influence policy?



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# Voluntary commitments in international, European and national sustainable development processes – drivers for change?

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ESDN Case Study N°22



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## Introduction

The aim of this case study is to outline various forms of voluntary approaches for the achievement of sustainable development (SD). Thereby the focus is set on European and, especially, on the national examples of how those voluntary commitments are applied in the implementation of SD.

In this case study, we show how these voluntary commitments look like and present their different nature. Examples are taken from the European as well as the national level, with a specific focus of Finland's national strategy of voluntary commitments in NSDS processes.

This case study has the following structure: Firstly, various approaches of voluntary commitments on the international, the European and the national scale are outlined. Secondly, two national examples of voluntary commitment processes in France and Finland are shortly outlined as implementation mechanisms in NSDS processes. Finally, the national experiences of voluntary commitments in Finland are illustrated as innovative approach for NSDS processes (based on a telephone interview with a responsible policy-maker).

# 1 Framing voluntary commitments and partnerships for SD

This chapter provides an overview of **definitions as well as processes related to voluntary commitments and partnerships in the context of SD** in order to portray its potential as driver for the implementation of SD, in general, and the 2030 Agenda for SD, in particular.

The United Nations Department of Economic and Social Affairs (UNDESA) defines **voluntary commitments and partnerships for SD** as *“multi-stakeholder initiatives undertaken by Governments, intergovernmental organizations, major groups and others that aim to contribute to the implementation of inter-governmentally agreed sustainable development goals and commitments in the Rio+20 outcome document “The Future We Want”, Agenda 21, the Programme for the Further Implementation of Agenda 21 or the Johannesburg Plan of Implementation of the World Summit on Sustainable Development.”*<sup>1</sup>

For this case study, we use the term ‘voluntary commitments’ in a generic context, encompassing that they are multi-stakeholder approaches with the role of addressing and involving various actors in order to achieve SD. Synonymously, we use the words “voluntary agreements” and “voluntary approaches”.

There are numerous types of voluntary commitments and partnerships for SD, dating back to the 1980s:

On the **international level**, International Environmental Agreements (IEA), including the Kyoto Protocol (1997) or the Montreal Protocol on Substances that Deplete the Ozone Layer (1989) are regulatory voluntary approaches in order to deal internationally with the preservation of public goods, i.e. ozone layer, biodiversity etc. Even though this is a form of a voluntary approach among countries, these international agreements are not voluntary commitments in the way we are discussing them in this case study because they primarily address individual countries and not stakeholders directly.

However, the most recent debate on the launch of the **SDGs and the 2030 Agenda for SD**, mandated by the Rio+20 Conference (2012), follows the approach of voluntary commitments we want to address in this case study. As in the definition mentioned above, voluntary approaches do not only address countries, governments and administration, but a great variety of stakeholders.<sup>2</sup> Furthermore, in the 1990s, great attention in the **European Union** was given to the use of voluntary agreements to attain environmental and energy goals. These voluntary measures covered mainly industrial processes, industrial energy management policies and practices trying to foster partnerships between business, research and politics.<sup>3</sup> On the **national scale**, the use of voluntary environmental agreements reached its peak in the 1980s in Germany where they were set up as a response to the growing problems associated with the use of traditional means of regulation. This voluntary policy instrument was also applied in the

<sup>1</sup> UNDESA. 2013. Sustainable Development in Action – Special Report of the SD in action Newsletter – Voluntary Commitments and Partnerships for Sustainable Development. Available at: <https://sustainabledevelopment.un.org/content/documents/930Report%20on%20Voluntary%20Commitments%20and%20Partnerships.pdf>

<sup>2</sup> Todd, C. et McEvoy, D.. 2012. Enforcing Compliance with Environmental Agreements in the Absence of Strong Institutions: An Experimental Analysis. Environ. Resource Econ (2013) 54: 63-77

<sup>3</sup> Rezessy, S. et Bertoldi, P.. 2005. Are voluntary agreements an effective energy policy instrument? Insights and experiences from Europe. Available at: [http://iet.jrc.ec.europa.eu/energyefficiency/system/tdf/aceee\\_2005\\_paper\\_13\\_final.pdf?file=1&type=node&id=2644](http://iet.jrc.ec.europa.eu/energyefficiency/system/tdf/aceee_2005_paper_13_final.pdf?file=1&type=node&id=2644)



Netherlands and Finland, in different forms, however. Nevertheless, the shared interest in voluntary agreements is derived from the standpoint that new policy objectives – especially related to sustainability – require new instruments which are more flexible, less antagonistic, and which can be adopted more quickly and foster collective learning.<sup>4</sup>

In the following paragraphs, current examples on voluntary commitments are briefly outlined with a special focus on the on-going SDGs debate within the international context. In this context, we refer exclusively to voluntary commitments with the aim to address various stakeholders for common SD goals. Moreover, one current EU approach of voluntary commitments is touched upon and a short overview of national patterns regarding voluntary commitments is given. Thereby, this chapter aims to set the stage for elaborating on how European countries address the implementation of such agreements within their NSDSs.

## 1.1 International Approach

As far as the international agenda for SD is concerned, the relevance of voluntary commitments and partnerships for SD is also expressed in the **Rio+20 Outcome Document**, which mandated the United Nations Secretariat to establish and maintain a comprehensive registry<sup>5</sup> of voluntary initiatives to promote SD. Please find the relevant paragraph 283<sup>6</sup> in the box below:

### Box 1: Paragraph 283 of the Rio Outcome Document

283. We welcome the commitments voluntarily entered into at the United Nations Conference on Sustainable Development and throughout 2012 by all stakeholders and their networks to implement concrete policies, plans, programmes, projects and actions to promote sustainable development and poverty eradication. We invite the Secretary-General to compile these commitments and facilitate access to other registries that have compiled commitments, in an Internet-based registry. The registry should make information about the commitments fully transparent and accessible to the public, and it should be periodically updated.

The Rio+20 Conference emphasized the importance of action-oriented voluntary initiatives in order to complement government-led action in realising SD. It envisioned key voluntary initiatives including voluntary commitments, partnerships for SD, and green economy policies and initiatives. These initiatives are expected to announce and achieve concrete time-bound deliverables that advance SD. It also mandated the UN secretariat to establish and maintain a [comprehensive registry of voluntary](#)

<sup>4</sup> Töller, A. 2013. The Rise and Fall of Voluntary Agreements in German Environmental Policy. German Policy Studies. Vol. 9, No.2: 49-92

<sup>5</sup> UNDESA. 2015. Partnerships for SDGs. Available at: <https://sustainabledevelopment.un.org/partnerships>

<sup>6</sup> UN. 2012. The Future We Want, Rio+20 outcome document. Available at: [http://www.uncsd2012.org/content/documents/774futurewewant\\_english.pdf](http://www.uncsd2012.org/content/documents/774futurewewant_english.pdf)

[initiatives for SD](#). Moreover, the **2030 Agenda for SD** stresses **multi-stakeholder partnerships** in the SDG 17. Please find the concrete targets in the box below<sup>7</sup>:

**Box 2: Multi-stakeholder partnerships in SDGs**

17.16 Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries

17.17 Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships

In order to frame the concept properly, a [UNDESA report \(2013\)](#) provides a comprehensive definition with various **features of voluntary commitments** or, synonymously, voluntary, multi-stakeholder initiatives, agreements, and partnerships to facilitate and expedite the realisation of SDGs. The following features are hereby considered as relevant, displaying importance for the international, EU and national scale:

- Partnerships and voluntary commitments are ***not a substitute for government responsibilities and inter-governmentally agreed commitments***, but they are intended to ***strengthen implementation by involving relevant stakeholders making a contribution to SD***. Therefore, commitments by governments remain the cornerstone of national, regional and global efforts to pursue sustainable development.
- The Rio+20 voluntary commitments seek to be SMART – Specific, Measurable, Achievable, Resource-based, and Time-bound – with depth of information on the action plans of SD implementation by entailing ***transparency and future accountability***.

As far as examples and types of UN wide initiatives are concerned, many voluntary commitments announced at Rio+20 originated from a number of networks and initiatives, for instance the Sustainable Energy for All initiative (SE4All), United Global Compact or the Higher Education Sustainability Initiative. The most thematic areas covered include education, green economy in the context of SD, health and population, energy and water and sanitation. According to the report from 2013, the approval of the new set of SDGs could lead to additional voluntary commitments and deliverables for the time period after 2016 (UNDESA, 2013). So far, this forecast proves to hold true, at least with regards to the national examples of Finland and France (please see chapter 3 for more details).

<sup>7</sup> Sustainable Development Knowledge Platform. Partnerships for SD – Multi-stakeholder partnerships. Available at: <https://sustainabledevelopment.un.org/sdinaction>

## 1.2 European Approach

The European Union has been making use of voluntary commitments, negotiated or long-term agreements since the 1990s, primarily with the broad scope of improved energy and cost efficiency. Back then, **the voluntary agreements were considered as environmental agreements negotiated with industry**, thus forms of public voluntary programs in which firms can choose to participate. Those voluntary agreements include environmental agreements negotiated with industry, public voluntary programs in which firms can choose to participate. Furthermore, they describe a wide range of industry actions, such as industry covenants, negotiated agreements, long term agreements, codes of conduct, self-regulation etc. and their approaches differ in relation to their form, legal status and enforceability. Even though they were set up as policy instrument to supplement or replace regulations, taxes and tradable permits, they also have been regarded as controversial. Their environmental effectiveness and economic efficiency were often challenged (Rezessy et Bertoldi, 2005).

However, voluntary agreements still exist in one form or another. The following paragraphs outline **what role commitments play within the Europe 2020 Strategy delivery**. The Europe 2020 Strategy is a ten-year jobs and growths strategy launched in 2010 with the aim to create conditions for smart, sustainable and inclusive growth. This strategy is currently impacting national policy making, also with regard to SD. In the framework of the Europe 2020 Strategy, seven Flagship Initiatives were launched in order to boost growth and jobs. The Flagship Initiative, “Innovation Union”, makes use of the so-called **European Innovation Partnerships (EIPs)** which are a policy tool for EU research and innovation, bringing together all relevant actors at EU, national and regional level. EIPs are launched in the following areas which display a great relevance in combining EU, national and regional efforts in SD issues – amongst others:

- ❖ Active and healthy ageing;
- ❖ Agricultural sustainability and productivity;
- ❖ Smart cities and communities;
- ❖ Water; and
- ❖ Raw materials.

The aim of EIPs is to streamline, simplify and better coordinate existing instruments to make it easier for partners to co-operate as well as to achieve the targets of the Europe 2020 Strategy quicker and more efficiently. In order to support their governance framework and foster the achievements of the 2020 targets, they make **use of commitments**. These commitments, or voluntary agreements, represent a vital part of the EIPs, following their governance structure and guidance, moreover bringing a variety of actors together in order to address societal challenges for the achievement of the Europe 2020 targets.<sup>8</sup>

<sup>8</sup> EU COM. 2014. Innovation Union. A Europe 2020 Initiative: European Innovation Partnerships. Available at: [http://ec.europa.eu/research/innovation-union/index\\_en.cfm?pg=eip](http://ec.europa.eu/research/innovation-union/index_en.cfm?pg=eip)

For instance, in 2013, the **EIP on Raw Materials** started an open **call for commitments with the aim to involve a very large number of partners across the EU and the entire raw materials value chain**. The partners are supposed to contribute to the objectives of the EIP by carrying out actions. Therefore, the EIP's commitments are essential to achieve the objectives set out in the EIP's Strategic Implementation Plan. They aim to deliver innovative products, processes, services, technologies, business models or ideas for societal benefits. In the first year (2014), a total of 80 commitments were recognized as '**Raw Materials Commitments**'. They had to meet certain criteria in order to be eligible and are considered as joint undertakings by several partners who commit themselves to activities aimed at achieving the EIP's objectives, such as delivering innovative products, processes, services, etc. with the broad scope of bringing wider societal benefits<sup>9</sup>.

The call for commitments within the EIP on raw materials is a central part of the European Innovation Partnership approach which aims to mobilise the European raw materials community. Its goals are to:

- Raise awareness;
- Receive a quality insurance at European level;
- Get a guarantee of accordance with the EIP and the EU raw material policy;
- Potentially allow access to finance from various sources;
- Join forces with other partners; and
- Give access to contacts outside the EU.

The nature of this commitment is not binding and encompasses to deliver activities and expected results, annual report, commercial and societal benefits.<sup>10</sup>

Similarly, the commitments within the **EIP on Smart Cities and Communities** bring together cities, industry and citizens to improve urban life through more sustainable integrated solutions. Thereby, eligible commitments were submitted by over 3,000 partners.<sup>11</sup>

Screening through various literature on voluntary commitment, it can be assumed that the motivation of various stakeholders to join commitments might be manifold: they may offer the chance for lobbying, prestige, publicity, networking, they may open possibilities to certain communities and even European funding schemes, co-determination, more transparency, and are not binding at the same time. **The European Commission might draw benefits from these commitments at the same time by establishing partnerships which may help to attain their defined objectives** by involving relevant partners, collecting more perspectives, addressing various actors, and reaching the critical mass.

<sup>9</sup> EU COM. 2015. EIP Raw Materials: 2013 Call for commitments, Recognized Raw Material Commitments. Available at: <https://ec.europa.eu/eip/raw-materials/en/call-commitments>

<sup>10</sup> EU COM. 2013. EIP on Raw Materials: Call for Commitments. Available at: [https://ec.europa.eu/eip/raw-materials/sites/rawmaterials/files/Call%20for%20Commitments%20-%20MG\\_0.pdf](https://ec.europa.eu/eip/raw-materials/sites/rawmaterials/files/Call%20for%20Commitments%20-%20MG_0.pdf)

<sup>11</sup> EU COM. 2015. EIP Smart Cities and Communities. Available at: <http://ec.europa.eu/eip/smartcities/>

### 1.3 National Approach

According to Töller (2013), voluntary commitments on the national level, specifically in Germany, date back even to the late 1960s and early 1970s. A more widespread use of those commitments, however, was reached during the 1980s and 1990s, also in other countries, such as the Netherlands and Finland. However, it has to be noted that institutions, especially European law and its effect on national policy decision and policy actors, play a major role when it comes to initiating national voluntary commitments. Nevertheless, forms of commitments vary greatly among countries. In **Germany**, for instance, they were primarily set up as agreements between businesses and the federal government, usually presented by the Ministry for the Environment or even the Chancellery, to accomplish environmental objectives. They were considered as ‘gentlemen agreements’ because of their not-legally-binding character. In contrast, the commitments in the **Netherlands** were often private legal contracts, often called ‘self-obligations’, characterised by a low degree of force and high degree of interaction between societal and government actors<sup>12</sup>.

However, the variations of voluntary commitments on a national scale have run through diverse developments. During the development of such agreements as new policy instruments addressing environmental challenges, **the major aim was to bring together industry and policy in order to achieve environmental objectives on a voluntary basis**. Thus, the political aim was to provide incentives for companies to work together on policy measures and objectives. Nowadays, however, the main aim of introducing voluntary commitments is to include not only business, but the whole society including associations, NGOs, schools, to even individual citizen. Those ‘**modern voluntary commitments**’ thus **intend to address the society as a whole with the broad focus of awareness raising and extended stakeholder participation**.

To sum up, there is a variety of diverse commitments to SD in international, European and national contexts. Their definitions differ, but the main features run like a red thread through all definitions expressed: the **non-legally binding character** and the fact that they **address a diversity of societal actors**, such as ministries, educational institutions, NGOs, enterprises, public administration, provinces, towns, cities, businesses, schools, the society as well as individuals etc.

## 2 Integration of voluntary commitments in NSDS processes

This chapter briefly delineates the **different approaches of voluntary commitments in the NSDSs** of the two selected European countries: **Finland and France**. In order to provide background information on the two national strategies, their structure and their integration of the voluntary commitment approach is shortly outlined. By so doing, the focus lies on how the commitment is placed and planned in each

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<sup>12</sup> Töller E.A.. 2013. The Rise and Fall of Voluntary Agreements in German Environmental Policy. German Policy Studies Vol. 9, No.2, pp.: 49-92

strategy. The information of the following paragraphs is exclusively taken from the two NSDSs of Finland and France, respectively.

## 2.1 Finland

Already in 2013, Finland decided to set up a voluntary commitment approach in its NSDS: [The Finland we want by 2050 – Society's commitment to sustainable development](#). One year after its implementation, the ESDN Case Study "[Sustainability transition in Finland: Society's commitment to sustainable development](#)", portrayed the transformative character of the Finnish NSDS as well as the implementation processes of a national sustainability transition approach. The current case study aims to focus more on the **experiences of the approach and processes related to the voluntary society's commitment to SD**.

In a nutshell, the Finnish NSDS is based on a long-term vision of a prosperous Finland within the limits of the carrying capacity of nature. It is a very lean document compared to the previous one, counting only seven pages. The strategy consists of eight shared objectives, based on four principles for SD as well as a section on operational commitments and monitoring of objectives. The **framework of the strategy** is based on the following principles for SD:

- Global responsibility;
- Cross-generational thinking;
- The limited carrying capacity of nature;
- Cooperation; and
- Creative use of knowledge and expertise.

In order to support the approach of a voluntary commitment, the principle of cooperation stresses that SD requires everyone to work together. Therefore, **operational commitments** are established with administrative sectors and other societal actors, such as companies, municipalities, organisations, educational institutions, and local operators. The various stakeholders are encouraged to commit themselves by contributing their part of attaining the shared objectives, such as equal prospects for well-being, a participatory society for citizens, sustainable work, sustainable local communities, etc. In order to **invite as many operators as possible to take part**, the Finnish National Commission on SD is responsible for bringing different parties together to negotiate required measures and the responsibilities that different operators are willing to promote. Moreover, according to the strategy, a **monitoring plan** with intermediate targets and actions should be drawn up and supported by the Finnish National Commission on SD, ministries and organisations. Eventually, the progress of society's commitment is planned to be monitored at annual meeting.

The **stakeholder commitment** works as follows: everyone from, e.g. NGOs, schools, the public sector, etc. can select goals out of the eight shared objectives, make a corresponding commitment, carry it out and measure the own success by finding out what the benefits are, such as waste management, social equality, resource efficiency, fewer emissions, better reputation, marketing, benefits of employees and

putting sustainable development into practice.<sup>13</sup> A more detailed account of the experiences in Finland with the voluntary agreements is described in chapter 3 below.

## 2.2 France

The new [French National Strategy of ecological transition towards sustainable development 2015-2020](#) was adopted in February 2015 by the Council of Ministers. It replaces the NSDS 2010-2013 and sets a new path to sustainable development by aiming at consistency of public policies and facilitating people's ownership. The latest French NSDS is based on a threefold ambition: (a) defining a 2020 vision, (b) transforming the economic and social model for green growth, and (c) creating ownership of the ecological transition. Each ambition is linked to three goals which are defined by priorities, implementation and follow-up plans, figures, and examples. The following box portrays the structure of the French NSDS 2015-2020:

**Box 3: Structure and contents of the French NSDS 2015-2020**

→ **Defining a 2020 vision**

- Goal 1: Developing sustainable and resilient territories
- Goal 2: Engaging in a circular and low carbon economy
- Goal 3: Preventing and reducing environmental, social and territorial inequalities

→ **Transforming the economic and social model for green growth**

- Goal 4: Inventing new economic and financial models
- Goal 5: Supporting the ecological transformation of economic activities
- Goal 6: Guiding knowledge production, research and innovation towards the ecological transition

→ **Creating ownership of the ecological transition**

- Goal 7: Educating, training and raising awareness of the ecological transition and SD
- Goal 8: Mobilizing stakeholders at all levels
- Goal 9: Promoting SD at European and international levels

This case study especially focuses on the **ambition of creating ownership of the ecological transition** which is linked to Goal 8: Mobilizing stakeholders at all levels. This section of the NSDS is devoted to the **commitment of all stakeholders and aims at encouraging everyone to be responsible and at developing alliances and synergies through a reinforced public participation**. The implementation is planned to be carried out through **strengthening the participatory democracy**, corporate sponsorship in ecological and energy transition, Local Agendas 21 as well as with the governmental exemplary administration plan.

A **stakeholder commitment mechanism has been envisaged in the strategy**. It is supposed to involve a voluntary commitments accession process with the aim to support stakeholders in structuring and

<sup>13</sup> Ministry of the Environment Finland. 2013. Society's commitment to sustainable development. Available at: [http://www.ym.fi/en-US/The\\_environment/Sustainable\\_development/Societys\\_commitment\\_to\\_sustainability](http://www.ym.fi/en-US/The_environment/Sustainable_development/Societys_commitment_to_sustainability)



amplifying their actions in favour of the ecological transition, enhancing individual and collective ability to act. This process is planned to involve the following steps:

- Call for commitment;
- Application of the NSDS voluntary commitment;
- Examination of the commitment by the Office of the Commissioner General for SD; and
- Validation of the commitment by the National Council of the Ecological Transition.

Thereby, public and private legal entities are invited to join the vision of the strategy for a 3-year period throughout the duration of the NSDS. The commitment is planned to be translated into concrete actions and measurable goals. Furthermore, state services are also encouraged to participate: every ministry should develop its own strategy or action plan, the state-region planning contracts should ensure the regional implementation of the NSDS, regional committees for the ecological transition should encourage local stakeholders, local authorities should develop and deploy positive energy territories for green growth, territorial SD projects and local Agendas 21. In terms of follow up, an annual progress report should be sent annually to the National Council for the ecological transition and to the National Parliaments as well as deliveries of the strategy and updated progress indicators. This report should gather initiatives from all players. However, the voluntary commitment approach in the French NSDS is not yet finalised and therefore it remains open how it will be implemented in practice.

### 3 Finland's experiences of voluntary commitments

In this chapter, we illustrate the results of the telephone interview, held in September 2015, with our colleague from Finland who is working for the General Secretariat of Sustainable Development and deals with voluntary commitments within the NSDS on a daily base. As mentioned above in chapter 3.1., Finland set up a voluntary commitment approach already in 2013. Therefore, the **main aim of the telephone interview was to learn more about the Finnish experiences and lessons learned in regard to voluntary commitments**. Please find the questionnaire for the telephone interview in the annex of this Case Study.

Finland can be considered as a pioneer when it comes to voluntary commitments as part of the National Sustainable Development Strategy. In fact, the Finnish NSDS *is* a voluntary commitment, also called “Society’s Commitment to SD” which acts as a common long-term framework for SD. Finland has a long-term experience with NSDSs. However, as our interview partner argued: “Finland has 20 years of experience with SD strategies which have developed knowledge and boosted a learning process of the society, but didn’t lead to action.” Besides, the last government dealt with 300 other policy strategies. “Due to this huge number, the policy coherence might not be very strong”, as our interviewee stated. Therefore, the **main motivation** for a shift in SD policy towards a voluntary commitment was **action** and **policy coherence**.

Our Finnish interviewee also mentioned that the turning point was in December 2013, when the National Commission for SD was aware that the previous NSDSs lacked actions and thus decided to try



something else than a traditional strategy approach. Therefore, they made a trip to Germany and consulted the German Advisory on Global Change (WBGU). Consequently, the WBGU's flagship report, **"World in transition – a social contract for sustainability"**, became – among others – **the main source of inspiration for the Finnish Society's Commitment**. Besides, when setting up this commitment as a new policy document, the intention was to design it according to the UN processes on SD and make it flexible enough to fit the new global agenda on SD.

### 3.1.1 Expectations and the role of the strategy in NSDS governance structure

As far as the **aims of the new commitment** – synonymously called 'framework or NSDS' – are concerned, the idea was to develop further the concept of the WBGU in a commitment paper with 6 pages. Our Interviewee stated that the **intention was to describe shortly what SD means and provide the main objectives and basic tools in order to achieve SD**. She also said that the 8 objectives of the Finnish commitment are in line with the SDGs, however, after the final launch of the SDGs, the objectives will be revised in accordance to the SDGs and complemented if necessary. Furthermore, our colleague talked about the **expectations** of the commitment process: "When developing the Finnish commitment, it was very important for us to define the goals not too narrow so that every party, every organisation can correspond to them in a practical way. **The aim was to reach as many stakeholders as possible and involve new actors from society we were not in touch with before, such as companies, research, parties, schools, local administration, church, labor unions, and different kinds of NGOs – a and not only government and administration.**"

As far as the **role of voluntary commitments** is concerned, our interviewee is of the opinion that such **commitments can be very significant**: "Even though we are at the very beginning, we can see that many organisations are very keen on getting involved which were not involved before, such as big companies and other organisations. They all want to do their share". The role of the commitments is expressed by the **variety of organisations involved** (i.e. companies, schools, various organisations) as well as by the **diversity of topics of the given commitments**. Furthermore, our colleague added that the operational commitments made the commitment in the policy paper real and lively and put SD and the objectives into practice. According to our interview partners, all four major industrial sectors in Finland (trade, finance, energy and forestry) have made so called sectoral commitments: "These sectors are really big because they cover a big part of the value chain and can, therefore, influence a lot. The main idea is that every commitment contributes to one or more of the 8 goals with concrete actions. If we had 1000 commitments, we could then check how much CO<sub>2</sub> emissions have been reduced etc.". To learn more about how a specific action of such a commitment looks like, please find examples in the following box 4:

## Box 4: Examples of actions expressed in a voluntary commitment

- (1) *Finland's biggest trade group is a retailing cooperative organisation with more than 40,000 employers. It has made a commitment that in 2016, half of the energy they use will be derived from wind energy. Furthermore, they plan to develop sustainable working practices and promote the employment of young people. Furthermore, they intend to set up energy targets for every store and they have almost 2000 stores in Finland. Therefore, this commitment can have a great impact towards SD.*
- (2) *A small company in Finland has made a commitment to plan buildings which last for over 500 years. Consequently, many big other construction companies are very interested in this commitment too and now they are discussing how to realise their plan. Even research organisations and third sector organisations have joined and the commitment grows.*
- (3) *One of the largest Finnish food corporations committed itself to reduce food waste in bakeries, confectioneries and food service businesses in all eight countries where they operate. Waste reduction should bring cost savings and enforces environmental action at the same time.*

One of the main roles of voluntary commitments is, therefore, to engage many actors of society, increase their actions towards SD in order to increase the impact of work in achieving the eight SD objectives in Finland's Society's Commitment.

Our Finnish colleague argued, however, that **those commitments are only small products at the moment, but they have the potential to increase** their importance for SD. So far, **the main work on SD is still done by the government**, legislation, administration and the National Commission for SD. She also said: "I really want to see that one day those commitments can influence even more than the business-as-usual work and I hope that they increase and succeed so that clusters develop and more impact towards SD is achieved".

### 3.1.2 Experiences and lessons learned within the Finnish voluntary commitment approach

As far as the **status quo** of voluntary commitments in Finland is concerned, **160 commitments** have been made in Finland since 2013. They involve the **following stakeholders**: approximately 35 companies, 10 ministries, 17 administration organisations, 40 educational institutions (i.e. schools, kinder gardens etc.), a few dozen labour unions (i.e. green organisations), 12 NGOs (i.e. consumer NGOs etc.), 7 other organisations, and 2 cities.

The **most chosen objectives** for commitments done by the stakeholders are – starting with the most popular one:

- ❖ Lifestyle that respects the carrying capacity of nature (objective 7)

- ❖ A carbon neutral society (objective 5)
- ❖ An economy that is resource wise (objective 6)
- ❖ A participatory society for citizens (objective 2)

According to our Finnish colleague, an open data base serves as **monitoring platform** where commitments are uploaded by organisations that give a commitment. Furthermore, yearly reports are requested from the stakeholders. For every commitment, indicators for measures or actions have to be chosen and their success has to be reported once a year. However, there are two levels in the monitoring system: on the one hand, the commitment level with the open data base and, on the other hand, the [indicator system](#) which provides up-to-date information on key social indicators and aims to give the big picture of Finland in regard to SD.

Regarding **lessons learned** our interview partner believed that 160 commitments are far too little to give a lesson on the whole process. However, these are the most important lessons learned so far:

- “A commitment is not an easy task and giving a commitment is not like clicking on a Facebook like button. **It has to be taken seriously and it takes time**”, our interviewee argued. It is a big decision and if an organisation has decided what kind of commitment it wants to give, it has to consider whether the commitment is only a communication tool or a tool that should change something and enhance the NSDS. For instance, if a company decides to take on a commitment, it can take one year because it should be supported by the highest levels and it requires time to evolve.
- “**Another lesson is hope.** Due to the bad economic situation, Finland is facing difficulties and the society wants to see hope in this situation. People need to see long-term perspectives. Therefore, commitments should be considered as long-term promises. Yet, if we really want to achieve something, we need to make it together”, our interviewee stated.
- **A commitment should really belong to the national framework as well as to the global UN framework.** Our Finnish colleague had the impression that most organisations are very proud of and keen to take part and belong to SD processes and seeing results.
- “The tricky thing is, however, that **commitments need to be communicated** and sold in a certain way in order to spread them forward. Therefore, efficient communication is required”, as our colleague mentioned.

A part from lessons learned, our interviewee provided us with **three pieces of advice** for those countries that consider following up a voluntary commitment approach:

- **Objectives shouldn't be too narrow** so that they can address a variety of stakeholders. Moreover, **they should be ambitious.** You should be aware that big companies can have big influences such as small school can have big impacts for the future.
- In the first stage, every commitment is welcome, however, the **level of ambition should be raised with the number of commitments and eligibility criteria have to be developed.** A criterion should be that the commitment should be new because the business-as-usual is not an

option anymore, therefore, new criteria are required. Furthermore, it is important to know how to measure and check the process.

- Thirdly the **process has to be visible and transparent for everyone**. For example, all changes, actions and plans have to be visible at webpages of companies in order to prove that the commitments fulfil the eligibility criteria.

In Finland, voluntary commitments are considered as an appropriate tool to put not only the national SD framework, but also the SDGs in action. Our interview partner also welcomes companies to participate because it is a good tool for them belonging to the national and to the international agenda. She also mentioned that other countries, such as Norway have increasing interest in setting up such processes. “However, of course, not the same process is suitable for everyone”, she added.

## 4 Conclusion

This case study showed that voluntary commitments are very different in nature as regards the international, the European and the national level. On the international level, the Rio+20 Outcome Document as well as the 2030 Agenda for SD strongly support and suggest the implementation of voluntary commitments for the achievement of SD and implementing the SDGs in every form. On a European level, they are mainly used in order to bring industry and policy together for achieving environmental objectives and support partnerships for SD. The national approach of commitments in NSDS processes is so far only in Finland well elaborated. France has envisaged a voluntary commitment mechanism for implementing their NSDS. The Finnish experience shows that voluntary commitments can act as drivers for change if all actors in society are addressed, work together, and take their role in the commitment process seriously. However, the evolvement of impact for SD requires time, common commitment, and devotion – for instance, the process in Finland is still only at an early stage.

## Annex

### QUESTIONNAIRE

#### Expectations and experiences of voluntary commitments within NSDSs

##### I. VOLUNTARY COMMITMENTS AS PART OF THE NSDS

1. Why did your country choose to set up voluntary commitments as part of your NSDS?  
What was the **main motivation** and where does the idea come from?
2. What specific **role do the voluntary commitments play in your NSDS governance structure?**
  - a. How do the voluntary commitments **contribute** to achieve the NSDS objectives?
  - b. How do you see the **balance** of the work done by voluntary commitments and the daily activities of the ministry in achieving the NSDS objectives?
3. What were your **expectations when integrating voluntary commitments** in your NSDS?  
What do you think can be changed with voluntary commitments?

##### II. EXPERIENCES

4. How **many commitments for what objectives** have you experienced since 2013? Which **stakeholder groups** are mainly involved?
5. Are there **monitoring mechanisms** or processes in place to **measure the achievement of targets?** How do these processes look like?

##### III. LESSONS LEARNED

6. What did you **learn from the implementation** of voluntary commitments and from multi-stakeholder partnerships? What did the multi-stakeholder approach **add** (new knowledge, capacities?) Please provide us with the most important lessons learned since 2013.
7. According to your opinion, how can voluntary commitments **act as drivers of change** (in regard to SDGs/ to boost SDGs)?
8. If another country would like to set up similar processes, what **three important pieces of advice** would you give?



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